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Development of 'Peaceful Evolution' Under Recent U.S. Presidents

92CM00594 Beijing XUEXI YU YANJIU (STUDY AND RESEARCH) in Chinese No 10, 5 Oct 91 pp 1, 37-39

[Article by Nan Jing (0589 5464): "Origin and Development of West's 'Peaceful Evolution' Strategy"]

[Text] The article "Origin and Development of West's 'Peaceful Evolution' Strategy," written by Nan Jing (0589 5464), with full and accurate materials introduces to us the position and strategy of "peaceful evolution" carried out by the West's bourgeois politicians and advisers against the socialist countries. Reading these materials will be of great benefit to us in keeping a cool head and in raising our consciousness of opposition to "peaceful evolution."

George Kennan Was the First To Come Up With the Idea of "Peaceful Evolution"

During World War II, the United States and the Soviet Union were allies in resisting the Axis of Germany, Italy, and Japan. The outcome of the war was that Germany and the other fascist countries were defeated and that the socialist Soviet Union became more powerful and its influence grew more and more. The United States was very fearful and uneasy about this situation, and the U.S.-Soviet relationship of wartime cooperation came to an end. Washington promptly set about devising a strategy for dealing with the Soviet Union. On 22 February 1946, George Kennan, the charge d'affaires of the U.S. Embassy in the Soviet Union, sent, on orders, to the State Department a long dispatch of 8,000 words. In it he made a comprehensive "analysis" of the theory, intentions, policies, and practices of the postwar Soviet Union and made suggestions for the countermeasures that the United States should take. The "long dispatch" received "a high degree of attention" at the State Department. In January 1947, on the basis of this dispatch, Kennan wrote an article entitled "Roots of Soviet Behavior," which on the recommendation of Secretary of the Navy Forrestal passed to newly appointed Secretary of State Marshall. On 12 March 1947, U.S. President Truman, at a joint session of Congress, delivered a report that formally proposed "containment" and the "Truman Doctrine" in dealing with the Soviet Union and communism. He asserted that the world had already been divided into two hostile camps, and that the U.S. Government had "decided to bear unlimited responsibility" for the support of the "free world" and on a global scale would wage an ideological "crusade" against "totalitarian states." It is thought that Kennan's "long dispatch" provided the "theoretical basis" for Truman's report.

Kennan took an extremely firm anticommunist stance. He actively participated in the formulation of the "Truman Doctrine" and the "Marshall Plan." However, his understanding of "containment" was that it was not simply limited to stopping the expansion of Soviet influence, but also quite clearly included the idea of the

"peaceful evolution" of the Soviet social system. In his article "Roots of Soviet Behavior," he wrote: "the United States has the capability, when carrying out its policies, to increase the pressure on the Soviet Union and force the Kremlin to take a far more restrained and cautious attitude than it has shown in recent years. In this way a certain trend will be promoted, which in the end will inevitably cause the collapse of the Soviet Union or a gradual tendency for it to soften." Kennan thought that, after the "softening" tendency appeared, the West could "look forward to a Russian government much different from what it is today" and "a new Russia," and the tendency "would permit the establishment in Russia at an early date of a system similar to the private enterprise system with which we are familiar." Thus it can be seen that the strategic goal that Kennan proposed for the Soviet Union was to push it into "peaceful evolution" and the restoration of capitalism.

Coming after Kennan, U.S. Secretary of State Acheson put forward the strategic idea of China's "peaceful evolution." After the complete bankruptcy of the U.S. policy of supporting Chiang Kai-shek and opposing communism, Acheson announced on 5 August 1949 that he was making public a White Paper, "Relations Between the United States and China," and a letter he had written to Truman on 30 July 1949. In these documents Acheson put forward the position that China's "democratic individualists" would bring about an internal "peaceful evolution" in China. He said: "China's age-old civilization and democracy's individualism will triumph again, and in the end China will repudiate the foreign system. I think that we should encourage all developments in China that now or in the future can promote the achievements of the abovementioned goal."

Dulles was the main architect of U.S. policy in the cold war period after the end of World War II, and was also a zealous advocate of the "peaceful evolution" strategy. After the defeat of the United States in its war of aggression against Korea, Dulles clearly set forth the so-called "peaceful evolution" strategy, i.e., liberating the "satellite countries behind the iron curtain" by "peaceful methods." He declared that he would "spare no effort to achieve this goal in the higher strategy of winning by peaceful methods." On 15 January 1953, in testimony to the U.S. Congress, Dulles said: "We must always bear in mind the issue of liberating enslaved peoples. However, liberation does not mean a war of liberation; methods other than war can be used to achieve liberation..." Dulles was extremely hostile toward New China. In a speech in June 1957, he attacked China's communism as "a phenomenon that must disappear" and said that the responsibility of the United States "is to do all it can to make this phenomenon disappear." On 2 July of the same year, he said: "If they (the leaders of the socialist countries) continue to have children and their children also have children, then their posterity will obtain freedom." The meaning of his words was that the third and fourth generations of the

socialist countries would undergo capitalism's "peaceful evolution." On 11 August 1958 the U.S. State Department issued a memorandum that asserted: "Communism's rule in China is not eternal and it will disappear some day. By not giving Beijing diplomatic recognition, the United States wants to accelerate this process of disappearing."

In the Kennedy Era a Fairly Integrated Strategic and Tactical Doctrine Was Devised

Dulles spoke a lot about "peaceful evolution" and made a great deal of noise about it but took few actual measures. Because during the Polish and Hungarian incidents it was shown that the "liberation" strategy did not have the capability to "liberate" Eastern Europe, Kennedy criticized this strategy as "empty talk and illusions." He advocated that specific measures and plans be drawn up to attain a strategic goal, and he came up with the idea of "planting the seeds of freedom through the cracks in the iron curtain." On 14 June 1960 Kennedy emphasized that "we must immediately begin, in a measured and careful way, to devise plans ... for planting the seeds of freedom through any crack in the iron curtain that appears" and "by means of interchange in trade, tourism, and journalism and of interchange between professors and students, as well as by means of our funds and technology," achieve the strategic goal of "peaceful evolution."

In 1960 Kennedy was elected U.S. president. After his advisers had learned the lesson that "containment" and "encirclement and blockade" of the socialist countries did not help "peaceful evolution," they put forward the new position of "promoting change through contacts." On 17 January 1960 [year as published] the Senate Foreign Relations Committee issued Study Report No. 10 "Ideology and Foreign Affairs," which emphasized that the West should have the "most extensive contacts" with the socialist countries and should "actively develop extensive contacts with intellectuals in the communist camp, particularly with upper- and middle-level political figures, in order to gradually influence their ideological beliefs."

In October 1961, U.S. Secretary of State Rusk told the West German ambassador to the United States: "The 'attraction' of Federal Germany should be used to make contacts with the Soviet-occupied zone (meaning Democratic Germany), and such contacts should not be regarded as a sign of concession." In March 1964, Harriman, deputy secretary of state for political affairs in the Kennedy administration, who had once been the ambassador to the Soviet Union, stated to the U.S. Senate Foreign Relations Committee: "We think that 'peaceful evolution' is a slow but reliable way to achieve freedom and national independence." "Our policy is to use every peaceful contact at the present time to encourage the 'peaceful evolution' that is now taking place."

At the end of the sixties the tactic of "promoting evolution through contacts," which had been advocated by Rusk and Harriman, was accepted by Brandt, chancellor of Federal Germany, and put into effect. After Brandt came to power, he actively pursued a "new Eastern policy" for the Soviet Union and Eastern Europe, thereby changing the rigid practices that Adenauer had insisted on for a long time. In March 1970, the chancellor of West Germany and the premier of East Germany met and held talks. In 1972 the two Germanies signed the "Treaty on Basic Relations," in which West Germany recognized East Germany as a sovereign state and under which each country set up a permanent representation in the other country. The next year the two Germanies joined the United Nations. On the surface it looked as if Germany's division had become "permanent," but Brandt did not see the situation in this way. He recognized not only Democratic Germany, but also the Oder-Neisse Line and the status quo in postwar Europe's borders. He also signed a series of bilateral treaties with the Soviet Union, Democratic Germany, Poland, and Czechoslovakia. He thought that to change the status quo there must first be a recognition of the status quo, and that "Germany's unification" could not be achieved by military force but "only by Europe's unification and the efforts of several generations." On 3 October 1990, East and West Germany were unified. The unified Germany took West Germany's national name, national flag, and national emblem, and East Germany vanished from the land of Germany. This was what Adenauer had dreamed of in the past but could never achieve.

"Peaceful Political Offensive" Launched in Reagan Era

After the Nixon administration came to power in 1968, the United States, on the one hand, was still stuck in the Vietnam war quagmire and, on the other, was deeply perplexed by the "Watergate affair," and the "peaceful evolution" strategy had not made any clear progress. Nixon himself may be called the "theoretician" of "peaceful evolution." In his books *The Real War*, published in 1980, *The Real Peace*, published in 1984, as well as 1999: *Victory Without War*, written and published in 1988, Nixon made the "most comprehensive" and "most profound" exposition of the strategy and tactics for the "peaceful evolution" of the socialist countries. However, during his presidency he did not make much of a "contribution" to "peaceful evolution."

At the end of the seventies, the socialist countries began one after another to reform and open up to the outside world. In 1980 when the Reagan administration came to power, Poland was in a state of political turmoil because of the disturbances touched off by the Solidarity trade union. The United States thought that "the historic opportunity which it had long awaited had come." Based on this estimate of the situation, the West's anticommunist forces noisily advocated the launching of an offensive against socialism. On 8 June 1982, U.S. President Reagan made a speech in London to Parliament that was said "to represent the general goal of the foreign policy of

the United States," viz., to launch a new "peaceful political offensive" against the socialist countries. In his speech Reagan pointed out that, in the current struggle between the two different social systems, "the final decisive factor is not atom bombs and rockets, but the trial of strength in will and ideas." He clamored that "in its bold advance the cause of freedom and democracy will relegate Marxism to the garbage heap of history." He said the United States would work with a single will to support the cause of "freedom" and that "all democratic countries must consider how to help the democratic political movement in the world." Reagan proposed that "peaceful competition in ideas and value concepts" be started with the Soviet Union and said that this competition would, through "the dissemination of ideas and beliefs," influence the Soviet and East European peoples and "help" them to establish "independent" trade unions, churches, political parties, universities, newspapers, and judicial organs. These "bodies pregnant with democracy," he said, would in the end "democratize" the Soviet Union and Eastern Europe along Western lines.

After Reagan's speech all departments of the U.S. Government promptly went into action. On 18 and 19 October 1982, the State Department held a conference in Washington "on the democratization of communist countries" with the purpose of determining and devising measures to promote the development of democracy in countries with communist regimes. Shortly afterward, at the beginning of November in the same year, the State Department and the American Enterprise Institute jointly held an "international conference on free elections" in which representatives of 34 countries took part. The U.S. president, vice president, secretary of state, and other important figures attended the conference. Abrams, assistant secretary of state for human rights and humanitarian affairs, in a speech at the conference declared that "free elections" were "a catalyst for changing political systems." The conference studied the "grand strategy" for "a peaceful political offensive" and at the same time discussed "a series of the most effective methods and measures" in this respect. It decided to have the two major U.S. political parties jointly draw up a plan with the aim of "strengthening the U.S. capability for supporting all democratic forces in the world."

On 7 February 1983, the U.S. Government announced that it had established a "special planning group" that was "responsible for planning, guiding, coordinating, and inspecting the open diplomatic activities of the U.S. Government." Its chairman was Clark, assistant to the president for national security affairs, and its members included the secretary of state, secretary of defense, and other important officials. The "main activity" of this new organization was "to promote the democratic movement." On 23 February of the same year, U.S. Secretary of State Shultz formally sent to Congress an appropriation bill "for promotion of the democratic movement," which had been worked out by the State Department,

U.S. Information Agency, and the Agency for International Development. The bill called for a two-year allocation of \$85 million "to hold high the flame of democracy." Thus, with the U.S. Government providing the funds, and with the cooperation of the Republican and Democratic parties as well as enterprises, trade unions, foundations and other "nongovernmental organizations," activities "promoting the democratic movement" formally began inside and outside the U.S. borders.

In February 1985, Reagan, in his State of the Union Message to Congress, declared that the United States "had already made good preparations for great changes," clamoring that the United States would conduct "a revolution that would carry the hope for world peace and human freedom outside the U.S. borders." Reagan unequivocally stated that the United States wanted "to exercise strong leadership" over the entire world, that the U.S. objective was "to promote democratic revolution in the world" and "to influence events so that they develop in line with U.S. ideals."

Bush's Intensified Pursuit of "New Strategy of Beyond Containment"

At the end of 1987, the United States and the Soviet Union signed the Intermediate Nuclear Forces Treaty, and the tense international situation changed to a relaxed one. There was a great increase between East and West in economic and cultural interchange and in intercourse between people. The socialist countries made a point of importing technology and funds from the West, thereby increasing the opportunities for the West to infiltrate these countries. In October 1988, Deputy Secretary of State Whitehead, on his sixth visit to Eastern Europe, said excitedly: "Rapid changes are taking place here (meaning Eastern Europe), and it is at a crossroads. The West should seize this historic opportunity."

In January 1989, the Polish United Workers Party passed a resolution on "political pluralization and trade union pluralization." In February the Hungarian Socialist Workers Party decided to put the multiparty system into effect. In April Poland's "Solidarity trade union" was legalized. In 1988 on taking over the White House, Bush had concluded that an "incomparable opportunity" for "peaceful evolution" had appeared. Therefore, he decided to adjust the policy for the Soviet Union and Eastern Europe. On 17 April 1989, Bush announced that he would give Poland \$1 billion in aid, calling it "a response to the cries for freedom" inside Poland. On 13 May 1989, in a speech at the graduation ceremony of Texas A & M University, Bush set forth a new strategy called "beyond containment." He said that the magnitude of the goal of this strategy exceeded "the imagination of all his predecessors," i.e., not simply to contain Soviet expansion but "to bring the Soviet Union into the great international family," to dismantle the Berlin Wall, and to merge Eastern and Western Europe into "an integrated free Europe."

From 9 to 13 July 1989, a travel-weary Bush, on the eve of going to Paris to take part in the Group of Seven summit conference, made hurried visits to Poland and Hungary "to guide" the "course of the democratic reforms now underway" in these countries. After his visits Bush told U.S. reporters: "Communism is rapidly collapsing," and the West should take action "to accelerate this process." He called on U.S. allies to take concerted action and jointly exert influence on Eastern Europe. Bush stressed that for the Western countries now "the primary task is to devise a coordinated, unanimous policy." Under Bush's direction the Group of Seven summit conference, held in Paris from 14 to 16 July 1989, departing from the usual practice, put economic issues in a secondary position and mainly discussed political issues, with particular emphasis on Eastern Europe issues. The conference coordinated the strategy of the seven countries for the "peaceful evolution" of the socialist countries. Besides issuing a four-part political manifesto that included East-West relations and China, the conference issued a "Declaration on Concerted Action for Economic Aid to Poland and Hungary." The conference stressed, "The West will not let the economic difficulties of Eastern Europe harm its political changes" and decided that, with the European Community taking the lead, within several weeks there would be held a conference on coordinating aid to Eastern Europe in implementation of the summit conference's new policy on Eastern Europe.

Once the Group of Seven conference ended, the West promptly went into action. On 17 July, the day after it ended, the European Community announced that on that very day it would "begin to perform the mission given it by the summit conference." On 1 August, with the Executive Committee of the European Community presiding, a conference of the ambassadors and high-level officials of 24 countries of the West was held in Brussels. The conference came up with a proposal for supporting the economic reforms in Poland and Hungary and "unanimously agreed" to provide facilities for the entry into the markets of the 24 countries of Poland's and Hungary's exported commodities and to promote foreign investment in these two countries. After the conference Bush immediately sent a cable highly appraising the results of the conference to Delors, chairman of the Executive Committee of the European Community, the committee that had presided over this conference. The cable said: "Like all of you who took the lead in action, we can do many things to guarantee that this opportune moment of historic significance is not lost."

In September 1989, Brzezinski told a reporter of the U.S. television Cable News Network: "The region that now provides the United States and the West with the greatest opportunity is Eastern Europe, which is striving to return to Europe's bosom." Now the West has already succeeded in some socialist countries of Eastern Europe. We certainly cannot treat this success lightly. With regard to the "peaceful evolution" offensive conducted

by hostile forces of the West, we must keep a clear head and maintain sharp vigilance, in order to establish a complete strategy against "peaceful evolution," and make good preparations for a long struggle.

Hu Sheng Discusses Bo Yibo's Retrospective Book

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pp 12-16

[Article by Hu Sheng (5170 4939), president of Chinese Academy of Social Sciences: "Thoughts on Bo Yibo's *Some Major Decisions and Events in Retrospect*"]

[Text] Comrade Bo Yibo [5631 0001 3134] spent over two years writing the first part of *Some Major Decisions and Events in Retrospect* and is going to write the concluding half. Comrade Hu Qiaomu [5170 0829 2606] considered this book "a masterpiece without precedent in the literature on party history." He said, "This work reviews a string of major decisions and events involving the CPC Central Committee which the writer personally experienced between 1949 and 1956." He also said that the book "transports the reader into a world of treasures where everywhere you turn, you are dazzled by what you see. You cannot put the book down." I completely agree with Comrade Hu Qiaomu's assessment.

Let me also tell you how I felt about this book right after I finished reading it.

The writer's attitude toward history is something we would do well to emulate. Between 1949 and 1956, the party indeed scored great achievements. But it is equally true that it was not perfect; there were shortcomings and mistakes. Now it can be said that if A were done instead of B, things would have been better, but that is being wise after the event. We can make the judgment now only with the benefit of a wealth of experience that came later. Moreover, even had we done things differently then, other problems could have occurred. In a laboratory, a natural scientist may repeat his experiment under identical conditions either because it has failed or because the results are not totally satisfactory. However, we cannot do that in historical development. It is to learn from the past to facilitate our work in the future that we review what the party did in the past, differentiate between the right and wrong, and make clear what we did right, what we did wrong and why, and why we failed. Comrade Bo Yibo's work gives us a bird's eye view of the party's achievements between 1949 and 1956. It opened our eyes to the fact that it was under complex historical circumstances that the party, proceeding from the actual conditions in China, did many good and proper things to solve problems never encountered before. In so doing, the party succeeded in correcting deviations that had occurred or might occur. The book also opens our eyes to the fact that we fell short in some ways and explains why we made some mistakes. While a number of reasons had to do with individual

leaders, we fell short and erred in some ways primarily because of the constraints imposed by historical conditions at the time, by the party's experience, and by the level of understanding achieved then. Over and over again the writer explains that we do not examine the errors and shortcomings of past work in order to point fingers at our predecessors but to learn what we should from the lessons of history in order to benefit our work now and in the future. One of the first things he writes is this, "Marxism is not a fortune-teller, nor is revolution carried out based on the grand design of some sage. It can only be improved and made better steadily in the course of practice. That party leaders manage to explain the trends of historical development at critical turning-points in the revolution is in itself a remarkable feat. In researching history, therefore, we should take an attitude of historical materialism. When we talk about shortcomings, we are not out to criticize but to draw sustenance from the lessons and experience of history so that we become wiser and do the things that must be done better today." (p. 28) Recounting the deliberations that went on over the general line and its formulation, the writer says, "Never can we demand perfection from historical practice and the struggles of the party and the people in the past. Never can we criticize the worthy that had gone ahead of us. That would not be a historical materialistic attitude. The historical materialistic attitude we should adopt is to seek truth from facts, affirming achievements that should be affirmed, and to face up to the shortcomings and even errors in earnest, analyzing their causes and learning from them so that they can be our guidepost for the future." (p. 230)

There are several other generalized statements in the book like the passages quoted above. Why did the writer not put them all in one place, say, at the beginning of the book, I wonder? What the writer has done certainly represents one approach, but it would have been more persuasive and attractive otherwise. The approach of the book is to mix narrative with discussions. In recounting an event as it happened from beginning to end, the writer also discusses its rights and wrongs in detail. Such a discussion, in turn, is a vehicle through which the writer expresses his attitude toward historical experience. The writer's general discussions on the attitude toward historical experience are not imaginary but are integrated with specific opinions about specific events. If you talk about this kind of attitude in a generalized way in isolation from specific discussion, people may dismiss your words as things anybody else can say. The writer of this book not only tells us what attitude we should take toward historical experience, but also practically embodies this attitude in the way he discusses one major decision or event after another. Herein lies the powerful appeal and persuasiveness of this work.

The book scientifically analyzes all the issues it raises, which is something we would do well to emulate. Instead of simply distinguishing the rights from the wrongs of the issues, he analyzes them in detail. Since we now have the experience denied our predecessors, this kind of analysis

is often something that our predecessors could not have done. Things that were regarded as correct at the time now are recognized as being flawed or erroneous in some ways. This is even true for things whose basic direction and basic approach remain correct today. On the other hand, what were regarded as wrong opinions at the time, including those that are even now regarded as partly flawed, have their correct aspects that people at the time were blind to.

Take agricultural collectivization, for instance. The book describes the debate surrounding agricultural collectivization in Shanxi in 1956, which involved Comrade Liu Shaoqi [0491 1421 1142] and Comrade Bo Yibo himself. The debate ended when Comrade Liu Shaoqi and Comrade Bo Yibo criticized themselves. The book gives an account of the debate and explains where Comrade Liu Shaoqi erred in his handling of the matter, pointing out at the same time that his opinions had a correct guiding idea since he was quick to zero in on the three major budding ideological issues hindering healthy economic development in China. The significance of this kind of discussion lies not only in the fair-minded evaluation it makes of the debate in 1956, it also helps us understand the process of socialist agricultural transformation. Also, as the writer notes, we can learn from it a thing or two which we can then put to use in the socialist reform now under way.

The book also recounts the dispute between Chairman Mao Zedong and Comrade Deng Zihui [6772 1311 1863] over agricultural collectivization. At the time, it was thought that Comrade Deng Zihui was totally in the wrong to the extent of following the wrong line in this matter. In 1981 the CPC Central Committee formally affirmed that Comrade Deng Zihui took the correct position on the speed of agricultural collectivization at the time. In the book, Comrade Bo Yibo presents all the relevant materials regarding the dispute and analyzed them meticulously. He notes that Chairman Mao Zedong and Comrade Deng Zihui actually saw eye to eye with each other that agricultural collectivization was the basic road and basic direction, even agreeing that there must be numerical control in collective transformation. On this there was no disagreement between the two. They split only over the speed of such transformation, although it must be said that this difference between them was indeed a matter of principle because it revealed two different guiding philosophies. Truthfully the writer notes that while Comrade Deng Zihui was not perfect, it would be wrong to criticize his support for steady progress in agricultural collectivization as an example of empiricism or a rightist error. The writer also points out that Chairman Mao Zedong was completely right in adhering to agricultural collectivization, not to say Chairman Mao Zedong's criticism of Comrade Deng Zihui completely unjustified. On the whole, however, his criticism was misguided and had very bad effects. Comrade Bo Yibo also says that we must not blame Chairman Mao Zedong alone for the misguided criticism. He analyzes the reasons for this and draws two lessons. First,

the arduous, complex, and long-term nature of the socialist transformation of agriculture in China was not fully understood. The guiding thought was tinged with a touch of impatience for success. Two, differences of opinion and normal arguments within the party were wrongly seen as line struggle. Neither of these two reasons can be attributed to an individual personally. Comrade Bo Yibo also notes that ever since the republic was founded, the party and the government were consistently under the pressure of the food problem. At the time, moreover, we all drew the wrong lesson from the Soviet experience, believing that provided the pace of agricultural collectivization was accelerated, the supply of grain and cotton would soon cease to be a problem. That was the conventional wisdom among many leading comrades on the CPC Central Committee, including Mao Zedong. Looking back now, we see that such thinking was totally out of touch with reality.

Similar analyses can be found throughout the book. They are based on facts and are persuasive and thought-provoking.

This book takes a historical materialistic attitude toward historical experience, at the same time conducting scientific analyses in depth. As such, it does not avoid the awkward issues that ordinary researchers have difficulty tackling. Logically speaking, the more awkward an issue appears to be, the harder a Marxist historical researcher should work to resolve it, instead of sidestepping it. This is precisely what Comrade Bo Yibo has done in his book.

Adopted by the CPC Central Committee in 1981, the "Resolution on Certain Historical Issues of the Party since the Founding of the PRC" was endorsed by the entire party. However, when researchers discuss things that the "resolution" has already passed judgment on, they are not required to simply repeat what the resolution says without adding one single word. The reason is that the judgments are general evaluations after all and need to be amplified and elaborated. We can say that Bo Yibo's work includes many new ideas, many original opinions without going beyond the judgments in the "resolution." It is a model for us.

On the other hand, some people these days exaggerate the shortcomings and errors in the party's work, even those of Chairman Mao Zedong. To hear these people tell it, they do not have a single merit. To rebut these erroneous arguments, we must face up to the issues involved, like Comrade Bo Yibo, instead of dodging them.

Ordinary researchers find it hard to handle intra-party differences after the PRC was founded, particularly differences between Chairman Mao Zedong and Comrade Liu Shaoqi. There are people both at home and abroad who watch these things very closely, but who are not in a position to discuss them in a way that is consistent with facts. Many works have been written by scholars overseas who study the history of the party and the PRC, including some who focus on the split between

Chairman Mao Zedong and Comrade Liu Shaoqi. Limited by their stand, viewpoints, and certain biases, and lacking adequate reliable materials, these researchers often make speculative judgments. They often portray the differences between Chairman Mao Zedong and Comrade Liu Shaoqi as the struggle between two lines or two political factions, even a struggle for power and for position. Their interpretations are not consistent with facts and are therefore erroneous. To rebut these interpretations, it is not enough for us just to say that they were normal intra-party differences. That is certainly true, but that alone is not enough to convince people.

Instead of sidestepping them, Comrade Bo Yibo's book examines in detail the facts of intra-party differences and what caused them. Regarding the transition from new democracy to socialism, for instance, the writer notes that the understanding of Chairman Mao Zedong and other comrades all underwent a process of development. Soon after entering the city, Comrade Liu Shaoqi called for the "consolidation of new democracy." It was not long before it came under Mao Zedong's criticism. Basically, though, the two men were at one with one another at the time (despite minor differences, as the book points out.) As the situation evolved between late 1952 and 1953, Chairman Mao Zedong broke with his original view on the issue of transition and put forward his general line for the transitional period, having judged the hour and sized up the situation. Because his new viewpoint was well-founded, Comrade Liu Shaoqi and others embraced it wholeheartedly. There is nothing wrong with this. Also, take agricultural collectivization. At the time there were indeed differences of opinion among party leaders over this matter, to the extent that there were two competing guiding philosophies on the speed of collectivization. Comrade Bo Yibo's detailed analysis makes us realize that although the differences have been represented as a line struggle, they were quickly resolved, and a consensus was reached because everybody wanted to make agricultural collectivization, a brand-new historic undertaking, a success. At a major juncture in history, all leading comrades in the party were studying the objective situation, examining many new issues they were confronting, and searching for a solution. It would be odd if they all saw eye to eye with one another. Between 1949 and 1956, apart from the attempts to seize power by party-bred careerists Gao Gang [7559 1511] and Rao Shushi [7437 3359 4258], many differences in the party, including those between Chairman Mao Zedong and Comrade Liu Shaoqi, arose as they groped along with no experience. There was agreement on the transition from new democracy to socialism, but they assessed the situation differently, interpreted the actual circumstances differently, and understood some matters of principle differently. Hence, the differences of opinion arose. The effort to remove differences and achieve a consensus sometimes failed to produce a completely correct principle or to incorporate every sound opinion. This too was the product of a specific set of historical conditions.

In my opinion, that Comrade Bo Yibo has the courage to face up to many issues that should not be dodged and analyzes them calmly and scientifically is enormously significant for correcting the misjudgments at home and abroad.

So far research on the history of the PRC and the party since the founding of the republic is far from adequate. Not many works, perhaps very few, manage to explain clearly and convincingly some of the more complex issues, particularly those clouded by misguided thinking. Comrade Bo Yibo's research attitude, research method, and narrative method should all be copied by comrades who study modern Chinese history. Many arguments in

the book are highly thought-provoking. I also hope that researchers in all branches of the social sciences will take note of this work. Social science researchers must integrate theory with reality. What is reality? First and foremost, it is contemporary China's socialist modernization in action. This too involves the history of the work of the party and the state over the past four decades. I believe, therefore, that researchers in all branches of the social sciences can benefit from Bo Yibo's work.

(Text of a speech delivered by the writer at a forum held on 10 June 1991 in conjunction with the publication of Comrade Bo Yibo's book.)

NATIONAL AFFAIRS, POLICY

Adjust Industrial Structure

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8 Oct 91 p 3

[Article by Zhong Pengrong (6988 2590 2837)
"Thoughts on Adjusting Industrial Structure"]

[Text] Decline of Economic Returns

The most prominent problem in China's economic life now is the decline of economic returns. In an enterprise, region, or industry, an important reason for this decline is the increase in prices of raw materials, energy, foreign exchange, and other key elements of production. However, for China as a whole, the increase in the prices of raw materials and other key elements of production is only a transfer of the fixed total profit of society from one sector and one enterprise to another sector and another enterprise, and is not a reduction in society's total profit. A decline in the economic returns of society as a whole means an increase in the consumption of the capital goods, interest, and wages needed to produce a product, a reduction in the total income from the product's sales to cover this consumption, and a reduction in the remaining part of the income (the profit).

For the increase in the consumption of capital goods as well as interest and wages needed to produce a product, there are both reasons in enterprise internal management and reasons in the macroeconomic environment. Of all the macroeconomic reasons, the most important one now is the distortion of the industrial structure.

In recent years there has been a serious production surplus for a large number of China's products. As a consequence, there has been a large increase in the production cost per unit product. There are three parts to this increase: (1) For the cost of each product, not only must the depreciation of the equipment producing it be figured in, but also a share of the depreciation of idle equipment. Thus there is figured in a depreciation cost of two, three, or more times. (2) When determining the cost of each product, not only must interest on funds needed for normal turnover be figured in, but interest on idle funds and overstocked product funds be figured in as well. (3) Because wages are rigidly fixed, when output decreases, wages do not correspondingly decrease, and the wage share for the same quantity of products increases.

It is thus clear that to improve economic returns the top priority task is to adjust the industrial structure by doing away with the surplus production capacity in certain industries. Only by cutting down surplus enterprises, equipment, and personnel will we be able to reduce what is surplus in a product's cost and improve economic returns.

Adjustment of Capacity of Industrial Structure

Adjustment of the capacity of the industrial structure means the adjustment of certain industries that already have a surplus production capacity, and there are four ways to make this adjustment. The first way is changing exports, i.e., changing export products that exceed demand into resources for making up domestic shortages. The second way is switching the production of an enterprise's equipment to other products. The third way is going bankrupt, i.e., closing down enterprises that have incurred losses for a long period of time and that depend for their survival on being in arrears on bank loans and loans extended to them from other enterprises, and transferring part of their production to other enterprises. The fourth way is stopping production, neither switching production nor going bankrupt, but letting money and equipment lie idle for a long period of time and putting staff and workers on long vacations.

Of these four ways of adjusting the capacity, the first way can do away with "long line" products, i.e., oversupplied products, and it will not cause a loss of assets. The second way can also do away with "long line" products, but on condition of causing a loss in a small part of the assets (the part that is replaced). The third way can make use of part of the idle production capacity (the part that is sold). The fourth way lets all the resources lie idle for a long period of time. It is thus clear that in adjusting the capacity, the losses incurred by these four ways may be expressed by the following formula of inequality: stopping production—going bankrupt—switching production—changing exports. Therefore, for reducing the cost of adjusting the capacity, stopping production is not as good as going bankrupt, going bankrupt is not as good as switching production, and switching production is not as good as changing exports.

Looking at the actual circumstances in China today, we see that, provided the quality of certain products is improved and markets for them are opened, exports can be increased, and that, provided there is a transformation of certain production capacities, it will not be difficult to switch production. However, a considerable part of the enterprises neither export products nor are able to switch production, and so their choice is between going bankrupt and stopping production. To reduce losses caused by idling and the subsidies for the losses in this part of the production capacity, and to eliminate cases of mutual arrears and a series of other problems caused therefrom, we should as fast as possible let these enterprises go bankrupt. If part of the enterprises do not go bankrupt, we cannot improve the economic returns of the entire society. The main problem we face when an enterprise goes bankrupt is: what is to be done with the unemployed staff and workers? To solve this problem we need to do work in two aspects: first, provide relief to the unemployed and, second, as fast as possible find jobs for them. The fundamental way to do this is to open channels for employment, letting every person become a creator of society's wealth and not a person out of work. For this reason, we need to raise the accumulation rate

and increase productive investment while controlling the rate of growth in consumption.

According to a bulletin released by the State Statistical Bureau, in 1988 the total investment in society's fixed assets was 431.4 billion yuan, an increase of 67.3 billion yuan over that of the previous year and a growth of 18.5 percent. In 1988 the total retail price index rose 18.5 percent over that of the previous year. Discounting the inflation factor, the actual amount of investment in fixed assets did not increase over that of 1987. In 1989 the total investment in society's fixed assets was 400 billion yuan, 50 billion less than that of the previous year and a drop of 11 percent. Discounting the inflation factor, the actual amount of investment contracted by more than 20 percent. In 1990 the total investment in society's fixed assets was 445.1 billion yuan, a 4.5 percent increase over that of the previous year. In the same year the gross retail price index rose 2.1 percent over that of the previous year. Discounting the inflation factor, the actual amount of investment rose 2.4 percent. In each year from 1988 to 1990, the actual amount of investment was equal to or less than that of 1987.

The main objective in holding down investment is to hold down prices. The essential point in this way of holding down investment in order to achieve price stability is to keep down the size of tomorrow's "rice bowl" by maintaining the size of today's consumption. If calculated at the present level, a state-owned enterprise needs to invest 10,000 to 20,000 yuan to form its labor force. Appropriately holding down consumption and investment not only makes it difficult to find jobs in society for a large number of unemployed, but also makes it impossible to provide new channels of employment for staff and workers of bankrupt enterprises. If this situation were to continue, after a number of years this contradiction would be even more prominent.

In adjusting the capacity of the industrial structure, we need to set up sound mechanisms for the survival of the fittest. Every enterprise comes into being in a certain economic environment. Following changes in this environment, some industries become obsolete and some become surplus. These obsolete industries and surplus enterprises must be subject to elimination at any time. The reason that it is difficult for China to adjust the present capacity of its industrial structure is that for a long time the enterprises have only existed and never died, and that more and more surplus enterprises have accumulated. If mechanisms for the survival of the fittest exist in economic life, new enterprises will constantly emerge and obsolete enterprises will constantly die out. If the new supersedes the old, problems will not be as serious as they now are, and will also not be difficult to solve.

Adjustment of Industrial Structure Increments

Adjustment of the industrial structure increments means that newly added investment will mainly flow into "short line" industries, i.e., industries that produce

undersupplied products, and not into "long line" industries, i.e., industries that produce excess products. Thus the "short line" industries will grow swiftly, and the "long line" industries, even if not becoming "short," will be unlikely to become "longer." By filling in gaps with new investment, the industrial structure will tend to change from imbalanced to balanced.

The industrial structure is the result of the direction of flow of investment, the direction of the flow of investment is the result of the behavior of investors, and the behavior of investors is the result of the economic system. Why has China's investment in recent years been glad to flow in the direction of processing industries and not been willing to flow in the direction of basic industries? The answer to this question can only be sought in the existing economic system.

First, there is the price system. Since reform began, China has gradually formed a double track system for prices in which planned prices and free prices exist side by side. The characteristics of this system are: the state controls fairly tightly the prices of energy, raw materials, and other basic industries, and controls fairly loosely the prices of the processing industries.

Second, there is the financial system. Beginning in 1990, after the system of "eating food prepared in separate kitchens" was gradually put into effect between the central financial administration and the local financial administration, as well as between the local financial administrations at all levels, for the most part the situation became one of the more retention the more expenditure, the less retention the less expenditure, with each seeking to be in balance with the other. Thus, in each locality the more it expended the more income it obtained, and the more income it obtained the more enterprises it ran.

Third, there is the investment system. Following the devolution of jurisdiction over investment, the system in which the central government completely dominated investment policy no longer existed, and the leaders of the local governments at all levels increasingly became the important makers of policy. For example, in China, for county-run industry investment, the county head and county party committee secretary are the main policy-makers; for investment in township and town industry, the township head and township party committee secretary are the main policymakers. In their investment they have three main objectives: first, by increasing output value they seek achievements in their official careers; second, by increasing profit they seek financial income; and third, by increasing the number of jobs they seek local social stability.

Under the abovementioned systems, there are two characteristics in local investment:

First characteristic: If local leaders at all levels are devoted to their work, they will generally have a strong desire to invest. In essence, this is investment competition in which each locality turns the "rice" in the public

"rice jar" into the "cooked rice" in the "small pot," i.e., everyone tries to obtain more state loans for investment in his locality, and they then go on to turn this investment into output value, financial income, and jobs in that locality.

Second characteristic: All localities are willing to invest in processing industries but not in basic industries, because between the latter and the local governments there are five major contradictions in the motives for and characteristics of investment: 1) the contradiction between the motive of local governments to increase output value and the small output value of basic industries; 2) the contradiction between the motive of the local governments to increase financial income and the low profit of basic industries; 3) the contradiction between the motive of local governments to find jobs for the unemployed and the few jobs in the basic industries; 4) the contradiction between the fairly small amount of funds raised by the local governments and the fairly large amount of funds needed by the basic industries; and 5) the contradiction between the local government's psychology of being anxious for quick results in its investment and the fairly slow results of investment in the basic industries. Besides these five major contradictions, there is this psychology in all the localities: once a processing industry starts up, the corresponding energy and raw materials will always be provided by the state, or can always be found outside the plan, i.e., "the cart will find its way round the hill when it gets there"—things will eventually sort themselves out.

The first characteristic determines that all localities desire what is large and advanced. The second characteristic determines that all localities are biased toward the profits in the processing industries and not the profits in the basic industries. Because of these two points, on the macroeconomic level, every time the money market is loosened, on the microeconomic level, the processing industries get "a dollar." This "long line" in the national economy of the processing industries is a good deal longer than basic industries, the "short line" in the national economy, and the situation in the industrial structure is thereby further worsened. When the situation worsens to the extent that it is difficult for the entire society to bear it, the central government has to make a big adjustment of the structure.

The existing distorted industrial structure is the product of the existing distorted economic system. If this economic system continues to exist, it will constantly regenerate more and more "long lines." Therefore, we must no longer think of increasing the surplus production capacity of making the distortion of the industrial structure worse, but must deepen the reform by establishing a system that will make the various industrial sectors grow in a more balanced way. Under this system, the price system can guarantee the profit levels will average out in all sectors. No matter where funds are put, an equal amount of funds will bring a roughly equal profit. Under this system, the main part of the economy for profitable investment will be the enterprise, not the

government; the main source of funds for investment will be enterprise accumulation and stock income, not bank loans; the main basis for investment policy will be the expected profit rate, not the effective period; and the one who will bear the loss in a "long line" sector will be the investor himself, not the state. Under this system, surplus enterprises can be eliminated at any time, and so they will not pile up year after year, becoming more numerous. With this system, new investment will flow toward all sectors in a roughly appropriate manner and the industrial structure will tend to be in balance.

Article Discusses Enterprise Mergers

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14 Oct 91 p 4

[Article by Jia Heting "Problems, Solutions in Enterprise Mergers"]

[Text] Since its advent in Wuhan, Baoding and other cities in 1985, enterprise mergers have gradually unfolded from key localities to all areas within just a few years. According to incomplete statistics from 22 provinces, centrally controlled municipalities, autonomous regions and nine cities under jurisdiction of counties, by the end of 1990, all together 7,046 enterprises had merged with a total of 8,465 enterprises. The merger was obviously effective in promoting the optimal composition of production factors, the adjustment of industrial structure, and the improvement of economic efficiency. By the end of 1990, enterprise mergers in previous years redeployed 1,031,000 workers, transferred 11.35 billion yuan of inventory assets, and 3,517 enterprises turned losses to profits.

Major Issues Confronting Enterprise Mergers

1. Superior enterprises lack the economic strength to carry out mergers, thus restraining the development of enterprise mergers. In recent years, the market has been sluggish, and the liveliness of enterprises has obviously diminished. Under such circumstances, the growth of some superior enterprises has also run into many problems. Many enterprises have been trapped by "triangular debts," and have not been able to merge with other enterprises due to lack of funds.

2. Inter-regional and inter-sectoral mergers remain very difficult.

During economic rectification in 1990, many regions and sectoral departments increased their direct control of enterprises which to a certain extent constrained, and thus made it more difficult for inter-regional and inter-sectoral mergers. The ratio between the number of inter-regional merging and merged enterprises fell from 4.96 percent prior to 1989 to 2.94 percent, and the ratio for inter-sectoral mergers from 32.78 percent to 22.67 percent, a reduction of more than 10 percentage points.

1. The phenomena of forced merger have been observed.

Over the last two years, enterprise development encountered difficulties, and a large amount of losses occurred. To eliminate losses, some regions directed one superior enterprise to take over one or more inferior enterprises. Such integration is very often the result of "parental order," which places heavy burdens on superior enterprises and even wears them down.

4. Noncompliance with merger procedures reduces the effectiveness of mergers.

Some enterprises did not strictly follow the procedures in carrying out mergers. They were too careless and left with sequelae. When some enterprises merged with others, for example, they did not seriously reappraise stocks and assets, nor did they check the financial claims and liabilities item by item. After the merger, when they were auditing the books, they discovered a lot of loopholes, which affected the enterprises' normal productive operations.

Issues Meriting Attention in Promoting Enterprise Mergers

1. Enterprise mergers should reflect the principle of combining planned economy with market regulation.

In enterprise mergers, enterprises are treated as commodities and presented to the market. Such commodities are different from ordinary consumption goods and means of production. They are a synthesis of multiple interests, the movement of one part affects the whole. Only by comprehensive application of many measures, guided by the principle of combining planned economy with market regulation, can the interests of various parties be coordinated, and enterprise mergers be carried out smoothly. How do we achieve such combination? First is to uphold all-around deregulation, open competition, and break up regional blockades and departmental barriers. All enterprises, regardless of their nature, size, sector, region and subordinate relations, should be permitted to conduct transactions in equity market and merge with each other. Second is to balance the relations between the respect for voluntary participation and mutual benefit of enterprises and government guidance. Enterprise mergers are an enterprise or market behavior. Therefore, the will of the enterprises involved should be respected, and government departments should not intervene, and put enterprises together by force. However, enterprise merger is not a discretionary behavior, enterprise mergers should conform with the state's industrial policy. Under the premise of enterprises' voluntary participation and mutual benefit, the roles of government departments are to formulate policies, provide directions, eliminate obstacles and strengthen out relationships. Governments at various levels, on the basis of investigation and study, should design programs and policies for the circulation of production factors, and coordinate the interests of all parties in as to facilitate and pave the way for enterprise mergers.

2. The modalities of enterprise mergers should be chosen on a practical basis.

In addition to compensated merger, the merger between all people-owned enterprises in the same region can take the form of noncompensated transfer of assets. Enterprise mergers can be combined with the contracting and leasing of enterprises, starting with some enterprises contracting and leasing other enterprises, and when conditions are right, smoothly move towards enterprise merger. Enterprises whose assets are insufficient to meet their liabilities and that cannot be saved can declare bankruptcy and liquidate in accordance with bankruptcy procedures before a merger takes place. In the course of mergers, the transfer of equity could be changed to transfer of share-holding, either by investing the assets of an inferior enterprise as equity shares in a superior enterprise or as to make the latter a joint venture, which controls the ownership and operation rights of the formerly inferior enterprise, and thus transform the inferior enterprise, or one or more superior enterprises can invest in the equity of the inferior enterprise to make the former a joint venture, thereby achieving the transformation of inferior enterprises.

3. Supporting policies should be granted towards superior enterprises.

The lack of financial strength of superior enterprises is the major contradiction of enterprise mergers at present. To stimulate incentives for enterprises merger and quicken the steps of economic structural adjustment, supporting policies must be granted towards the advanced enterprises. Of course, under difficult financial conditions, the state is no longer able to provide tax reduction and profit holding. But, the state can adopt many policies to support superior enterprises. In this respect, regions have created some good methods, such as suspending bank loans and fiscal subsidies to inferior enterprises and using the saved funds to support merger by superior enterprises. Also, in the case of compensated merger, after unprofitable enterprises have made up their losses, the newly generated profits of the merged enterprises are used to pay the merger fees, settle overdue debt obligations and make up past losses. For unprofitable administrative enterprises, after they have merged, the loss-compensating subsidies that they enjoyed before will not change. The terms of the debt of merged enterprises are permitted to be appropriately extended.

4. Employees of merged enterprises should be employed through various channels. Except in special circumstances, the whole staff (including retired staff) of the merged enterprises should in principle be accepted by the merging enterprises. It can be considered as integrating enterprise mergers with social security system reform. From merger fees or from the profits of the merged enterprises after they have made up losses, a small portion could be taken and given to social security organizations, then workers will take responsibility for the pension and insurance of retired employees of merged

enterprises. As far as the inter-ownership merger, the social pension and insurance of the two different types of staff can be administered differently according to previous arrangements, or be included in the system that applies to the retired staff of the merging enterprises, after consultation with finance and labor departments.

Solutions to Labor Remuneration Problems

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[ACADEMIC MONTHLY] in Chinese No 9, 20 Sep 91
pp 50-54

[Article by Wang Guoping (3769 0948 1627): "A New Examination of Remuneration According to Labor"]

[Text] Past practice shows that remuneration is being done according to labor, but it is not being done to the extent necessary.

Mao's exposition of remuneration according to labor is expressed in a concentrated way in "Criticism of the Gotha Program" in which the most representative statement was that "Any form of distribution of the means of consumption is nothing more than the result of the distribution of production factors themselves, and the distribution of production factors expressed the nature of the method of production itself. If the factors of material production are the collective property of the workers themselves, this will produce a distribution of the means of consumption that differs from the present one." This new kind of distribution will mean that "after all deductions have been made, each producer will get back from society all that he gave society. What he gave society will be the amount of his personal labor. He will get a certificate from society showing how much labor he supplied, and on the basis of this certificate he will draw from society's reserves a portion of the means of consumption equivalent to the amount of labor he provided. The amount of labor he provided society in one form, he will get back in another form." Later on, Lenin capitalized this form of remuneration as "remuneration according to labor." He said that mankind can only go from capitalism directly to socialism, i.e., make a transition to the public ownership of the means of production and remuneration according to labor. Stalin added further: "From each according to ability, to each according to labor is the Marxist socialist formula, meaning the formula for the first stage of communism, i.e., the formula for the first stage of communist society."²

The foregoing exposition of classic authors summarizes the substance of the system of remuneration according to labor as two levels. First, it means that remuneration according to labor is linked to the system of public ownership of property in contradistinction to remuneration according to capital. Here, labor forms the basis for distribution, those who do not work do not eat. Second, it means that not only is labor the means for gaining compensation, but that the amount of labor and the amount of compensation are directly linked. Labor

becomes the measure for remuneration, which is to say the more work, the more gain. A full understanding of the connotations of the two levels of remuneration according to labor holds extremely important significance for our observation and critique of current remuneration.

Although the principles of those who do not work do not eat, and the more work the more gain (equivalent labor exchange) are unified in the principle of remuneration according to labor, and are rooted in public ownership of the means of production, the emphasis and the position of both, as well as the conditions on which they depend differ.

Emphasis on the principle of those who do not work do not eat is on labor being the only means of gaining compensation, i.e., gaining compensation through labor. It rules out the possibility of property serving as a basis for remuneration. The principle of more work, more gain emphasizes the link between the amount of labor and the amount of remuneration, which is to say that equivalent labor gains equivalent compensation. As two aspects of remuneration according to labor, the former is a qualitative standard while the latter is a quantitative standard. Thus, one might say that the principles of those who do not work do not eat, and the more work, the more gain are the unity of quality and quantity in remuneration according to labor. The reason for having that those who do not work do not eat is a qualitative standard is that it is directly linked to public ownership of the means of production. It is a fundamental mark of the distinction between remuneration under the public ownership system and remuneration under the former exploitative system. Under the private ownership system, although the earnings of the small producer derive mostly from his own labor, one cannot rule out reliance on private property to gain a substantial portion of income. Once a remuneration system becomes established in which labor is the sole means of gaining compensation, this naturally means the formation of a brand new remuneration system, i.e., a remuneration system linked to labor. In this sense, the founding of a socialist system also shows the necessity for founding a system of remuneration according to labor. The reason that more work more gain is a quantitative standard for remuneration according to labor is that it relates to the degree to which remuneration according to labor is realized. The more closely the amount of labor is related to the amount of compensation, the more this shows the completeness of the system of remuneration according to labor. Of course, an interdependence and a complementary relationship also exists between the principles of those who do not work do not eat, and the more work the more gain. Only when the goals of those who do not work do not eat and gaining compensation through labor are attained, income from property being excluded, can the amount of labor and the amount of compensation be more closely linked. Conversely, only when labor and compensation are linked is it possible to carry out the principle of those who do not work do not eat and gaining compensation.

through labor. In any case, quality and quantity cannot be equated in remuneration according to labor.

Conditions also differ for the existence of the two aspects of remuneration according to labor. The main condition required for those who do not work but to eat and compensation on the basis of labor is public ownership of the means of production. This is because only when this is achieved can labor become the only way in which compensation can be gained. The more work the more gain not only requires public ownership but also requires that economic development reach the level where the labor that laborers provide can be measured; otherwise, it will be difficult to fashion a homologous relationship between the amount of labor performed and the amount of compensation received.

Establishment of the foregoing understanding of remuneration according to labor requires avoidance of two skewed perceptions of the meaning of remuneration according to labor. The first is not to equate the principle of those who do not produce do not eat, and compensation on the basis of labor with remuneration according to labor, failing to note that remuneration according to labor requires quantitative realization. One should not suppose that the establishment of a system of public ownership and the eradication of property and other exploitative forms of remuneration as a basis for remuneration equate with full realization of remuneration according to labor. Second, one must not pay attention only to whether the amount of labor and the amount of compensation are linked while failing to note that compensation on the basis of labor is the core and the essence of remuneration according to labor, sometimes using instances in which labor and remuneration are divorced from each other as a basis for completely denying the existence of the system of remuneration according to labor. Actually, under present circumstances, once a system of public ownership is established in one country, meaning the formation of an ownership structure in which public ownership predominates and exploitative forms of remuneration are abolished within the public ownership economy, labor becomes the basis for distribution, labor becomes the basis for remuneration for the achievement of compensation on the basis of labor. At the same time, in an overall sense, compensation can also reflect the status of labor (not ruling out instances in which compensation and labor are dissociated from each other to a certain extent at certain times), and it is possible to say that a system of compensation according to labor has occurred. What requires effort is the use of various means to further link the amount of labor more accurately to compensation in the steady perfection of remuneration according to labor.

Despite various detours in the remuneration process since founding of China as a socialist country, overall, remuneration according to capital has been basically eradicated in the ownership system, labor becoming the means for gaining compensation. At the same time, in certain fields (notably in the figuring of wages on a piecework basis) a definite link has been established

between labor and remuneration. Thus, a correct assessment should be that remuneration according to labor has simply not yet been realized to the degree required.

Goals During the Present Stage: Using Labor as the Basis, All Possible Should Be Done To Widen Differences in Compensation; However, Equal Compensation for Equal Labor Will Be Difficult To Achieve

Equal compensation for equal labor is the optimum condition for remuneration according to labor. Does recognition of the ability to establish and carry out a system of remuneration according to labor at the present stage of socialism mean believing that remuneration according to labor definitely can attain this optimum condition? Not at all. I believe that basically attainment of the optimum condition of remuneration according to work, or the remuneration according to labor now being practiced, do not equate with the optimum condition of remuneration according to labor. They are two different stages in the process of realizing remuneration according to labor, and both now and for some time to come we can only remain in this stage. Blind pursuit of full realization of remuneration according to labor that is divorced from objective reality frequently leads to losses that outweigh gains.

Even leaving aside the difficulty of equivalent exchange of labor brought about by the effects of market competition on prices and price fluctuations resulting from the existence of a commodity economy, simply figured in terms of labor in the direct remuneration process, the equivalent exchange of labor cannot be fully realized.

Mao's reason for regarding a socialist society as a society lacking a commodity-money relationship is predicated on two things. One is no independent benefits among production units resulting from the existence of different ownership systems, thanks to a unitary system whereby society owns the means of production. The second is society's ability to solve economic coordination and motivation problems by using direct labor calculations to distribute total labor, and to realize differences in benefits among workers. In fact, if these two conditions are in being, a commodity economy plan loses its significance. This is because when mankind can use direct plan control for effective solution to the two major problems of coordinated economic development and motivation, market distribution of resources, which is blind to a certain extent, may be dispensed with. At the same time, remuneration according to work that directly uses work time as the basis for individual distributions of consumer goods will also replace market distribution of individual income. In this sense, direct control of the economy and remuneration according to labor at equivalent labor exchange are internally unified. Since the level of economic development of human society has reached the stage where it can replace the commodity economy and market regulation, the problem of no way to figure remuneration according to labor does not exist.

However, after mechanically applying the modes of thinking of the classical writers without regard for objective conditions, and after several decades of setbacks, the existing socialist countries finally have taken the road of developing a commodity economy. As a result, an increasing number of people realize that a commodity economy and market regulation is a stage that these countries cannot skip. In China in recent years, socialist commodity economy theory has become the basic foundation for reform, and this may be said to be a heartening advance. Regrettably, however, people have yet to escape from the old patterns of thought. In many ways, they interpret Marxism in a dogmatic way, their understanding of remuneration according to labor being a classic example. Actually, a socialist society in which a correlation between commodities and money is lacking exists side by side with remuneration according to labor in equivalent labor exchange that Marx envisions in his writings is logically coherent. However, we recognize that existing socialist society is a commodity economy society on the one hand (which is to say we recognize that labor cannot be calculated directly), while supposing, on the other hand, that we can realize an equivalent labor exchange at the present state. Theoretically, at least, this is not logical.

The present situation suggests that remuneration through the payment of piecework wages to workers engaged in the same kind of work seems to be a realization of exchange for equivalent labor. However, a little analysis will reveal that remuneration according to labor applies to different kinds of workers in total. If laborers in different positions cannot be converted to a common unit of labor because of differences in the quality of their labor, then exchange for equivalent labor cannot be expressed in the person of different laborers (such as mental laborers and physical laborers, and those performing complex labor and those performing simple labor). Much less can large quantities of labor be expressed in materialized form.

The "work" in remuneration according to work cannot be figured at the present stage, showing that the level of socioeconomic development has yet to reach the degree required for equivalent labor exchange. Narrowing of the scope of remuneration according to labor would naturally have a substantial effect in overcoming the shortcomings of the "large common pot" under the traditional system and in increasing the degree to which remuneration according to labor is realized. Nevertheless, it would not fundamentally solve the various difficulties faced in equivalent labor exchange. Inasmuch as a complex division of labor exists within a single enterprise, unless different kinds of labor can be converted, equivalent labor exchange cannot be fully realized. If we raise requirements, insisting that equivalent labor exchange be the goal of reform of the remuneration system, we will only work havoc in exchange relationships, thereby impairing normal development of the economy. For example, a one-way form of remuneration that goes from an enterprise's economic returns to

the total staff member and worker wage bill, to individual staff member and worker wages that takes equivalent labor exchange as its starting point will be bound to produce two bad effects. Either the enterprise will lack initiative, which will work against the holding down of consumption fund inflation, or staff members and workers will lack initiative, which will work against improvement of economic efficiency. This is because even if enterprises have the authority to decide wages, staff member and worker consumption pressures are bound to be focused on the persons of the plant manager and director. Even in a poorly run enterprise, staff members and workers may also stress inequalities in objective conditions and use remuneration according to labor as a pretext for demanding a comparable increase in distributions, thereby promoting consumption inflation. If the plant manager or director stands up for the country's interests and assumes that he can use ideological and political activity to get staff members and workers to accept a link between wages and economic returns (actually, this can only be done in a small number of outstanding enterprises in the entire production and operating process, staff members and workers will by no means become a fixed cost. This means that the enterprise will lose pressure to increase economic efficiency, and lose competitiveness. Losses resulting from poor running of an enterprise can be passed off by lowering wages. Overcoming this anomaly can be accomplished only by replacing and changing remuneration concepts and remuneration methods.

A correct understanding of the extent to which remuneration according to labor can be realized at the present stage will be extremely beneficial in clarifying modulated perceptions of remuneration problems and in making proper choices of remuneration methods that help economic development. If one supposes that at the present stage remuneration according to labor should be equivalent labor exchange, otherwise remuneration according to labor is not being practiced, then wavering and doubts will arise in practice about remuneration according to work because of the inability to realize this "high standard." Conversely, if one objectively acknowledges the imperfection of remuneration according to labor at the present stage, and recognizes that at the present stage remuneration according to labor can only provide compensation that generally reflects the amount of labor performed rather than accurately express the principle of the more work the more gain, and that there is no way to eliminate the discontinuity between the amount of labor performed and the amount of remuneration received, this will be more helpful in the overall strengthening of awareness of remuneration. Likewise, it will not cause a wavering of confidence in the principle of remuneration according to labor because of some distortions in remuneration. In another regard, when selecting the remuneration method, one should also not adhere rigidly to the conventional pattern of equivalent labor exchange. Instead, one should focus more on economic development. By so doing, one can broaden horizons for the

selection of multiple forms of remuneration without violating the principle of remuneration in accordance with work performed.

A Pressing Matter of the Moment: Widening Avenues of Thought For the Opening of Multiple Avenues for Realizing Remuneration According to Work

During reform and opening to the outside world, many efforts have been made to select a system and methods for realizing remuneration according to labor, and definite results have been achieved as well. However, no one is completely satisfied as yet since many serious inequities in remuneration still exist. How to get out of this predicament, aside from requiring major readjustments in the policy environment (in order to put all kinds of enterprises in a competitive position) will require a widening of avenues of thought that open the way to a series of new methods that do not violate the basic principle of remuneration according to labor. Specifically, this has to begin in two ways:

One is further improvement of the existing remuneration system and methods. First of all, further efforts may be made to narrow the scope of remuneration and to prune the number of accounting units. For enterprises, this is a matter of further improving the economic responsibility system. The key to doing this lies in breaking down contract norms level by level, assigning them to workshops and to factory teams and groups. It also entails rigid restrictions that require changes in remuneration to reflect, insofar as possible, changes in the amount of work performed. For other sectors, it is a matter of making cutbacks in the scale of distributions insofar as possible so that remuneration generally reflects labor performance. For example, in the evaluation of professional credentials, in position appointments and the amount of labor used, and in the mix of labor, authority should be delegated as much as possible. Higher authority should only concern itself with total numbers and scale for purposes of overall control, as well as to provide quality standards of a reference nature. It need not directly concern itself with credentials and to whom functions are assigned. This is because knowing the work performance of any given staff member or worker, and his or her labor contribution, is the business of the unit to which the staff member or worker is assigned and not the business of higher authority. This is not exactly the way matters are handled today. Higher authority usually has to approve a person's credentials and the job for which he or she is hired, although the higher authority can only fall back on some "dead formulas" in making an evaluation and issuing an approval. This leads to a considerable extent to compensation and labor having nothing to do with each other. Consequently, by narrowing the scope of distribution, every firm and unit will have a certain potential that can be tapped for linking the amount of labor performed and the amount of compensation received. Second, much remains to be done in selecting specific forms of remuneration. On the basis of their work situations, some units have designed various methods and models for

making calculations. Obviously any judgment based on equivalent labor exchange has many departures, nevertheless, when compared overall, one has to admit that this way of doing things represents a giant step in establishing a link between compensation and labor. If it can be further adjusted and perfected, results will be even better.

Second is courageous introduction of the market mechanism. Limited trials made by made of a wage system whereby basic wages are decided by the market, supplementary wages being fine-tuned by the original methods used within enterprises. This way of doing things holds advantages in at least three regards as follows. First, it helps hold down consumption inflation, the ratio between accumulations and consumption thereby tending to be normal, and in line. Since basic wages are decided by the market, this means that before laborers enter the production process, wage standards will have been decided by the balance between labor supply and demand, and will be fixed in the form of a legal contract. To a very large extent this will avoid wage caprice pressures. Second, it will help the rational allocation of labor resources. Once wages are set by the market, an employment competition mechanism is bound to come into being, thus enabling a change in the congealed state of employment. The labor resources allocation structure and the market demand structure will thus tend to become identical under the action of the wage lever. Finally, this will help eliminate unfair distribution, and will go on to stabilize people's feelings about labor, thus spurring workers' interest in production and work. In system terms, the current unfairness in remuneration stems from unequal employment opportunities. Were the work force permitted to move rationally, the immobility of compensation in employment competition, the "inversion between physical and mental labor" and a remuneration pattern in which "it is more profitable to wield a razor than a scalpel" would inevitably be fundamentally reversed. The reason that a singular remuneration situation like the foregoing has not appeared in market economy countries is the existence of a market mechanism that permits full employment competition and compensation competition.

Does wage system reform using the aforementioned methods go against the principle of remuneration according to labor? Not at all. First, in terms of the large publicly owned economy, laborers will continue to rely on their labor to gain compensation, meaning they will gain compensation according to their work rather than rely on private property as a basis for distributions. This point differs fundamentally from the market dividing wages in a private ownership system because, in essence, it maintains the basic provision of remuneration according to work. Second, quantitatively, since fluctuations in supply and demand affect wage fluctuations, this might seem to separate labor and compensation; however, a deep analysis of the background to supply and demand will show that the wages supplied frequently restrict enterprises' economic returns and the contributions required of laborers' positions. The wages that

enterprises promise may generally be no lower than the wages of staff members and workers in the same positions, thus, they cannot be too greatly different from the labor contribution, because the limitations of socialist production goals operate here. In any case, improvement of the livelihood of staff members and workers is a goal that publicly owned enterprises must pursue. This cannot be changed. Conversely, if the wages demanded are too high, enterprises may find the demands difficult to bear and will refuse them. Naturally, when basic wages are decided on the basis of market supply and demand, market fluctuations brought about by various fortuitous factors may affect the link between labor and compensation. However, since we can rationally appreciate that remuneration according to labor cannot reach the level of equivalent labor exchange at the present stage, and that certain deviations can scarcely be avoided, we have no reason to reject this form of remuneration that does not depart from the pattern of gaining compensation on the basis of labor, and that is helpful to economic development.

Perfection of the existing form of remuneration, and introduction of a market mechanism form of remuneration are complementary and interrelated. By complementary is meant that the more the existing form of remuneration is improved, the more it will be able to remedy the inadequacies resulting from the disjunction between compensation and labor that market fluctuations occasion following introduction of the market mechanism, i.e., it will come about through the fine-tuning of supplementary wages. Conversely, after basic wages are decided by the market, remuneration pressures within units will be greatly eased, and the fine-tuning of flexible wages will seem smoother. Therefore, in the process of changing from the first kind of remuneration to the second kind of distribution, a dovetailing of relationships rather than a resistance to change exists. Inspiration may be gained from the following: If introduction of the market mechanism is made the main goal and a new form of remuneration in reform of the remuneration system, should conditions not mature, continued improvement of the existing form of remuneration will not be impaired. At the same time, it is necessary to try to promote new forms of remuneration courageously, actively, and with full confidence.

Footnotes:

1. *Selected Works of Marx and Engels*, Vol 3, pp 10-13.
2. *Selected Works of Stalin*, Vol 2, p 308.

PROVINCIAL

Guangdong Tightens Control Over Coal Market

92CED131A Guangzhou NANFANG RIBAO in Chinese
5 Oct 91 p 1

[Dispatch to this newspaper: "Suppression of Unlawful Business Operations, Strict Prohibition of Adulterations

and Falsifications—Provincial Government Demands Intensified Control of Coal Market"]

[Text] The provincial People's Government recently issued a circular notice on intensifying control of the coal market in Guangdong Province and on regulating the unsettled situation in coal distribution.

The circular clearly stipulates that only the provincial, municipal, and county (municipal district) fuel (coal) companies and the coal construction company(ies), the supply and marketing organizations charged with coal deliveries under the plan belonging to the departments responsible for coal production in the province, the municipalities and the counties (municipal districts), and basic supply and marketing cooperatives commissioned to sell coal on consignment and joint consignment basis by the provincial, municipal, and county (municipal district) fuel companies, and no other enterprises or units may transact coal business. Coal shipments must in the first place ensure fulfillment of state and provincial coal supply contracts and supplies to key enterprises. All coal shipments by railway within the province must, according to plans formulated by the higher authority in charge, be approved unifiedly by seal of the provincial fuel company after coordination between the provincial fuel company and the Guangzhou Railway Administration, only then will it be permissible to apply for execution of the railway transportation plan. Control of coal shipments by rail from outside the province shall be effected according to the relevant provisions and measures adopted pursuant to the state's "four-united-in-one" principle.

The circular emphasizes that the coal producing enterprises should definitely ensure the quality of coal. It is strictly forbidden to adulterate and to falsely upgrade inferior qualities, and the state's coal price policy will be firmly enforced.

The circular points out in particular that resolute measures will be taken to suppress unlawful business operations. All units trading in coal must not buy coal produced by small unlicensed and illegally opened coal pits, or from small coal mines which by order of any level of government should have been shut down. Units authorized to deal in coal must not jointly operate coal business with unauthorized units or persons. Individual entrepreneurs and privately run enterprises are strictly forbidden to deal in coal, and collective enterprises are strictly forbidden to engage in wholesale coal business.

Fujian Enterprises Granted Greater Autonomy

92CED131B Beijing JINGJI RIBAO in Chinese
19 Oct 91 p 1

[Article by own correspondent Wang Changfeng (1369 7022 6912): "Returning Power to the Enterprises—Fujian Effectively Increases the Powers of the Enterprises"]

[Text] Jia Qinglin [6328 1987 2631], governor of Fujian Province, recently declared that decision-making powers

will substantially be returned to the enterprises, and be proposed specific measures to enhance the autonomy of the enterprises to revitalize the large- and medium-sized state-operated enterprises.

In the structural arrangement of the enterprises, "double checking between upper and lower levels" is only required where state law prescribes such. For all other enterprises a provisions demanding the "double checking between upper and lower levels" of enterprises and assigning personnel on a pro rata basis have become invalid and are altogether abolished.

In the employment of workers, state-run large and medium enterprises are all to implement during the period of the Eighth Five-Year Plan the labor contract system for all workers and the employment contract system for all managerial and technical staff. Managerial staff in enterprises shall be reduced to an 18-percent rate, and the optimal staff composition shall gradually be arrived at.

As to the distribution in enterprises, based on trial implementation, the system of wages according to job skills shall be gradually applied on a broader scale, and efforts be made during the Eighth Five-Year Plan period to have this system applied throughout. In future, notwithstanding the aggregate amount of its payroll, the enterprise itself shall effect all internal distribution. In enterprises where suitable conditions exist, and on approval by the department in charge, the systems of piecework wages and quota piecework wages may be instituted, and it may be permissible to exceed the limits set for the aggregate payroll amount.

As to the pricing of products, the number of products under mandatory planning by the state shall be gradually reduced. Starting with 100 key enterprises, the products under the state's mandatory planning shall be reduced during the period of the Eighth Five-Year Plan at an annual rate of 5 percent. The residual portion of products shall be included in the state plan, but with the proviso that "fixed shall be their pieces, destination, and quantity, but not prices," or a reasonable price shall be set within the price ceiling prescribed by the state. For some enterprises for which the state had experimentally instituted fixed quota purchases of products under mandatory planning, mutual economic responsibilities of supply and demand shall be determined in contract form. If in the case of products of an enterprise that are under the state's mandatory planning, raw materials as well as other materials and energy is not supplied under the plan, and have to be obtained by the enterprise from other sources, the enterprise shall be free to set its own prices.

Some enterprises that are basically qualified to have autonomy in foreign trade operations, shall be selected to have their decision-making powers for foreign trade expanded.

Shaanxi Promotes Industrial Zones, Inter-Province Cooperation

Xianyang Electronics Export Zone

92L E00934 Asian MIAANAI RIRAO in Chinese
26 Sep 91 p 1

[Article "Xianyang Electronics Export Industrial Zone Founded"]

[Text] In order to make fullest use of strengths of Xianyang's electronics industry in hastening the pace of reform, opening to the outside world, and economic development in the province, the provincial government recently decided to establish the Xianyang Electronics Export Industrial Zone.

Xianyang's electronics industry has grown rapidly during the past decade. The electronics industries concentrated in the electronics zone there now number 13, their fixed assets totaling approximately 2.5 billion yuan in value. Their annual gross output value comes to more than 1 billion yuan, and their output value and profits and taxes account for 35 and 45 percent respectively of the total for all electronics industries in the province. They have imported and technologically transformed 14 production lines over a period of time, thus, production is now completely automated or semi-automated. In the production of complete devices, spare parts, materials having electronics applications, and integrated electronics products, they apply universally used international standards (IEC), their sophistication and reliability attaining or approaching the international level. This includes "Rainbow Brand" color kinescopes, "Ruyi Brand" color television sets, and quartz crystals, which have won national prizes. Color deflection yokes, covered sheet copper, and magnetic materials have also attracted the general attention of foreign businessmen. Thirteen different kinds of products are about to be or already have been exported. During 1990, foreign exchange earnings from these exports accounted for one-half the total for all electronic industries in the province. In addition, this zone has substantial facilities in the form of water supply, electricity, roads, communications, aviation, and graded building sites, a fairly good infrastructure existing for the building of an electronics export industrial zone. Furthermore, it is richly endowed with tourist attractions, which are quite attractive to visiting foreign businessmen.

The planned Xianyang Electronics Export Industrial Zone is an enlargement of the existing electronics zone. The zone is to be located in the western suburb of Xianyang City running from the flood-prevention canal in the east to Hanling Road in the west, fronting on the Wei He in the south, and extending to Zhuquan Road in the north, an area totaling 15.9 square kilometers. Plans call for development in two stages. During the first 10 years, the 11.6 square kilometer eastern zone is to be developed. Emphasis is to be on encouraging the existing plants to attract enterprises both inside China and

abroad to come to the zone to produce and market export goods through various means, as well as to complete basic associated facilities and services for residents. During the second decade, the 4.2 square kilometer western zone is to be developed. Emphasis is to be on the development of technology-intensive high technology industries, the ultimate aim being to build a rationally structured electronics industry base, advanced production technology, complete service functions, and high foreign exchange returns from export.

Recently the correspondent visited the leading comrade in charge of the provincial tourist bureau who told the correspondent happily that a heartening new situation has occurred in the province's tourist industry. From January through August 1991, the province received 196,599 tourists from overseas, 15.79 percent more than during the same period in 1990. Foreign exchange earnings from tourism have leaped to a new level, increasing 35 percent over the 1988 all time high for the same period.

The province's tourism system has devoted great efforts to advertising abroad in order to hasten the revival and development of tourism. First of all, it took pains to publicize Shaanxi Province's overall image to give the world an understanding of Shaanxi. The province organized and took part in the operation of international tourism exhibitions in the United Kingdom, France, Germany, Japan, Singapore, Canada, and Hong Kong to develop new tourist sources. Second, it invited people to come for on-site surveys, letting attractions speak for themselves. All-in-all, the province received more than 20 tourism survey groups and tourism reporter groups from Japan, the United States, France, the United Kingdom, Australia, and Thailand. Third was the printing of small publicity handbooks, tourist guides, and large picture albums, as well as the preparation of articles about tourism in Shaanxi Province for newspapers and magazines in Hong Kong and elsewhere to increase publicity abroad. Fourth was the formation of a lateral partnership with Beijing and Fujian for an exchange of information about tourist prospects. These measures produced remarkable results. The European tourist market has revived fairly quickly, tourist market prospects in southeast Asia are very good, and Malaysia has become the third largest source of tourists to Shaanxi Province. The number of both international and domestic tourists visiting Xianyang, Haoji, Weinan, Hanzhong, Yanan, and Yulin has grown markedly in 1991.

At the same time, the province's tourism system has devoted close attention to improving the economic environment and rectifying the economic order, increasing control over the tourism business. Mostly it has improved audit supervision, enterprise management, price control, financial management, and management of scenic tourist sites to improve the quality of services provided. It has particularly improved the building of ideology and the professional training of the tourist corps for greater improvement in the quality of the rank

and file. In various tourism competitions held throughout the country, the province's contestants have made a fine showing. At the February 1991 All-China Tourist Trades Conference on the Building of Spiritual, 12 individuals and two units from Shaanxi Province were awarded titles as national tourist industry labor models, advanced workers, and advanced collectives.

High-Tech Industrial Zone in Shaanxi

92CE0095B Xian SHAANXI RIBAO in Chinese
18 Oct 91 p 1

[Article by Correspondent Wang Zhangheng (3769 4545 1854). "Changes Occurring With Each Passing Day in the Building of the New Xian High Technology Development Zone, Conventional Ways of Doing Things Demolished; Innovation Stimulated"]

[Text] After three years of hard work, the new Xian High Technology Industrial Development Zone, which got underway in May 1988, has seen the completion of three science and technology street zones, namely Taoyuan, Xingqing, and Cuihua roads. They have developed more than 450 new high technology products, 78 of which have been made a part of national and local spark plans, and 25 of which have been patented either in China or abroad. The business volume of science and technology enterprises in the zone has grown at 40 percent each year, producing a cumulative 235 million yuan in gross receipts during a three-year period. Currently 15 different products are being exported, and three products have replaced imported ones. In 1990, foreign exchange earnings from exports totaled \$3.612 million.

In March 1991, the State Council formally ratified the Xian Development Zone as a new national level high technology industrial development zone. The provincial CPC committee, the provincial government, and the Xian Municipal CPC Committee and municipal government attach very great importance to this. They have made the building of a new high technology development zone an important project for the scientific and technical invigoration of Shaanxi Province. They have reassessed the development zone, following the principles of utility, reason, and science. In addition to a 19.15 square kilometer area where a city is to be built in the newly demarcated 22.35 square kilometer total plan area, another 3.2 square kilometers is to have a new construction zone. A highly effective, highly energetic control committee work team made up of crack cadres was quickly organized. It quickly demolished convention, handling urgent matters urgently and giving special handling to special matters in requisitioning land, planning, construction, and in bringing projects into the zone. It completed in five months an amount of work that formerly required between one to two years to complete. The Xian Municipal Bank of Construction and the Xian International Economics, Technology, and Trade Corporation set up branches and sub-branches in the development zone to provide services associated

with high technology. In addition, industry and commerce, tax, public security, business inspection, materials, and patent units began to function in the development zone, creating a fine external environment for development of the zone's new high technology enterprises.

The development zone also devoted special attention to improving intangible services. It proceeded from the principle of providing whatever helps stir the interest of scientific research units and large- and medium-sized enterprises develop new high technology industries, whatever helps attract capital, skilled manpower, and sophisticated research accomplishments into the zone from elsewhere in China and abroad, and whatever helps in the commercialization, industrialization, and internationalization of new high technology achievements. On this basis, they drew up preferential policies including, "Various Policies and Temporary Control Regulations for the New Xian High Technology Development Zone," "Provisional Procedures for Managing Foreign Trade Investment in the New Xian High Technology Industrial Development Zone," and "Trial Procedures for Simplifying Examination and Approval Procedures for the Multiple Travel Abroad of Some Personnel From New High Technology Enterprises." At the present time, 53 units and 110 projects have applied to enter the development zone's new construction area. Following examination, 33 units and 62 projects have been approved to enter the development zone's new construction area. After seeing the trend of development of the New Xian High Technology Industrial Development Zone, some scientific research units and large- and medium-sized enterprises that had formerly planned to invest elsewhere took the initiative in contacting the management committee to request approval to invest and operate enterprises in the newly built part of the development zone. Development zone management committee deputy chairman Yang Guangxin (2799 1639 0207) told the reporter that Xian is an area in which institutions of higher learning, scientific research organizations, and large- and medium-sized enterprises are concentrated. It has a large amount of high quality scientific and technical strength, and it also has a fairly large number of mature and sophisticated new high technology achievements and projects, thus, the development zone will have very strong backup forces for its development.

Baoji Plans High-Tech Development Zone

92CE0095C Xian SHAANXI RIBAO in Chinese
18 Oct 91 p 1

[Article by Jin Hulin (6855 6233 2651) and Luo Qingshan (5012 7230 1472): "Baoji Plans To Build New High Technology Industrial Development Zone. Full Use To Be Made of Ambient Advantages; Potential for Large- and Medium-Sized Enterprises To Be Developed"]

[Text] Acting in the spirit of a series of instructions from the CPC Central Committee and the State Council to "develop high technology for industrialization," and

provincial government policy decisions on the building of a "high technology industrial development zone in central Shaanxi," following research and investigation, validation and planning, the Baoji Municipal CPC Committee and municipal government are now planning the construction of a base to be known as the "New Baoji Municipal High Technology Industrial Development Zone" on an 11.86 square kilometer tract on the south bank of the Wei He in the urban area. This zone is to be for large- and medium-sized enterprises.

Baoji has 58 large- and medium-sized enterprises employing 79,000 scientific and technical personnel of all kinds. It has made great strides in the development of key industries, particularly electronics and communications equipment manufacturing, and non-ferrous metal smelting. Baoji possesses technology and product advantages in six of the 11 state-designated high technologies, namely electronics science and electronics information technology, space and space navigation technology, electromechanical integration technology, materials science and new materials technology, and pharmaceuticals science and biological engineering. This includes the rare metal titanium, Baoji supplying more than 85 percent of the national market for first place in the country. In addition, the Longhai and the Baoji-Chengdu railroads, as well as the Baoji-Zhong (0022) Railroad, which is currently under construction, all run through Baoji closely linking the city to central, southwest, and northwest China. Baoji has become an important link on the land bridge between Europe and Asia, providing a fine infrastructure for Baoji's building of a new high technology industrial development zone.

The New Baoji Municipal High Technology Industrial Development Zone is divided into eastern and western zones. In the western zone lie the Qingyang and Qiaonan districts, where mostly electronics and modern communications technology and products are developed. In the eastern zone lies the Maying Town area where the Northwest Nonferrous Metals Research Institute and the Baoji Nonferrous Metals Processing Plant are located. They develop mostly new rare metals materials technologies and products. At the present time, Baoji is arranging with departments concerned for the transfer of personnel in the gradual building of an organizational system that provides socialized services. It is in the midst of fund raising, land requisition, planning, coordination and capital construction work.

High-Tech Development Needs Right Environment

92CE0095D Xian SHAANXI RIBAO in Chinese
11 Oct 91 p 3

[Article by Liang Xiantong (2733 2556 7893): "Building a New Environment for High Technology Industries in the Province"]

[Text] Shaanxi Province has abundant strength for the development of high technology industries. The new

Xian High Technology Industrial Development Zone has been founded; the New High Technology Industrial Development tract in central Shaanxi has begun to be established; and Xian's electronic city is beginning to take shape. This sets the stage for developing the province's high technology industries and putting them on an international footing. However, simply laying out high technology industrial areas is not enough; a fine new environment must also be built.

This so-called new environment includes mostly the following: a cultural life environment, a skilled manpower training environment, a management environment, a policy environment, and an information environment.

Building of a cultural atmosphere for daily life is the foundation high technology industrial areas, as well as for the development of high technology throughout the province. Only when such an environment exists will it be possible to imbue high technology personnel with vitality and new value concepts. These concepts, which form the main part and the subjective starting point engendered by the new trails that high technology blazes, are one of the most profound and dynamic factors. Therefore, in building a high technology industrial zone, the following must be taken into consideration: building of a fine living environment, meaning complete basic facilities and well-developed transportation and communications; building of high technology industrial area culture, shaping a cultural milieu and behavioral standards of which innovation, unity, the seeking of truth in facts, and efforts to move ahead are a part; promotion of new value standards; building a new social evaluation system that emphasizes the linking of science and technology to markets for the shaping of equal competition commodity awareness.

Training and nurture of manpower skilled in high technology is the key to success or failure in high technology industrial zones. In their development of high technology industries, Western countries regard the training of skilled manpower of crucial importance. In order to train more high technology manpower, Tsukuba Science City in Japan set up an international high technology cooperation and skilled manpower training center in 1985, the "High Technology Research Institution." This institution's purpose was to promote international technology exchange, and to foster cooperation between institutions of higher education and research and production units. I feel that Shaanxi Province's electronic city has the basic facilities in being in this regard, but no exchanges or cooperation have developed as yet between institutions of higher education and research institutes and enterprises. Consequently, overall planning must be done to increase the organic links between institutions of higher education and scientific research and production units for the shaping of a fine environment for the training of skilled manpower. Founding of a "high technology manpower training and exchange center" is recommended.

In improving the management environment, the frequent past reliance on administrative control must be changed, a completely new management method introduced that creates a freer environment for enterprises. Government should make efforts to change from excessive administrative interference to macrocontrol, concentrating on overall planning and the building and management of basic facilities. It should encourage enterprises to create a fine work environment for staff members and workers, to introduce a competition mechanism, and to reform the work force utilization system and the assignment system in order to stimulate the enthusiasm of staff members and workers, and of scientific and technical personnel.

Since high technology industries are both strategic and on the leading edge, and are also risky and competitive, their development depends on state and local government policy support. During the initial period of their construction, in particular, they require substantial investment, both tangible and intangible. The province's present financial state does not permit a large amount of tangible investment, only intangible investment in the form of preferential policies can be relied upon. Recently various preferential policies have appeared, but efforts will still be required to put them into effect. Numerous factors such as subordination relationships, the price system, and short-term behavior limit implementation. Public opinion must be widely mobilized in an effort to get people in all walks of life to have a common sense of urgency about the development of high technology, thereby promoting formation of a fine policy environment.

The industrialization and internationalization of high technology requires domestic and international support for quick access to information. Shaanxi Province is an inland province in addition to which information networks are compartmented and isolated from each other. As a result, the province is rather ill-informed. Therefore, breaking down the artificial separation between information systems in the economic sector and the scientific research sector, and breaking down of the artificial separation of information systems under separate administrative jurisdictions, creating an information environment that is suited to the industrialization and internationalization of high technology, and building a unified information network is a conspicuous problem in urgent need of solution.

Shaanxi's Industrial Development Problems

92CE0095E Xian SHAANXI RIBAO in Chinese
9 Oct 91 p 3

[Article by Zhao Naiyuan (6392 0035 0337) and Niu Jianbo (3662 1696 3134): "An Exploration of Ways To Improve the Vitality of Large- and Medium-Sized State-Owned Enterprises"]

[Text] In his 1 July speech, Comrade Jiang Zemin said: "Large- and medium- sized state-owned enterprises are

the mainstays of the socialist economy. How well they perform is of decisive importance for development of the whole national economy and consolidation of the socialist system." Today, the problem of how to use the deepening of reform to build vibrant state-owned enterprise management systems and operating mechanisms, creating the macroeconomic environment needed to enliven large- and medium-sized enterprises has become an extremely urgent task in the country's economic work. It is for the foregoing reasons that some cursory views are provided for consideration below about the reasons for and the way out of some deep-seated problems urgently in need of solution in the operation of the economy.

The first problem is that central government and local government interests are at odds, making difficult the task of shaping an environment that helps enliven large and medium size state-owned enterprises. Building and perfecting a macroeconomic regulation and control mechanism that meets needs in developing China's planned commodity economy is a basic requirement for maintaining the long-range, sustained, and stable development of the national economy. It is also a necessary external condition for enlivening state-owned enterprises, particularly for enlivening large- and medium-sized state-owned enterprises. Since implementation of the system for dividing revenues and expenditures between the central and local governments and holding each responsible for balancing its own budget, inevitably clashes have frequently occurred between the needs of macroeconomic development and local interests. National interests and local interests are at odds with each other. When the central government issues orders prohibiting or limiting the development of industrial projects, impelled by local interests, jurisdictions frequently use means to get going at once or to speed up work. Often the result is duplication in the industrial structure, loss of control over macroeconomic development, and an overly rapid increase in total demand. Economic development fluctuates. The reality that the market reflects under these circumstances can only be a supply and demand relationship resulting from policies, and this distorted market supply and demand relationship directly controls state-owned enterprises. Once a redirection of state macroeconomic policies occurs, enterprises are even less able to follow along. Furthermore, because of the weakening of economic methods in the macroeconomic regulation and control process, anticipated results frequently cannot be obtained. For the local governments, this means that those that get started on their projects first are the ones to gain real benefits. The enterprises themselves are unable to eradicate within a short period of time the effects of the loss of control resulting from state macroeconomic policies. In a situation of no separation of government administration from enterprise management, in particular, enterprises' own interests are dominated by the interests of local government exchequers. This makes for difficulties in shaping enterprise production and operating mechanisms that meet needs in the development of a commodity economy.

The main way of solving the problems that result from conflicting interests is to use taxation to restrain local government investment, thereby attaining the goal of a rational allocation of resources. A fixed asset investment regulation tax should be levied on those products or projects that limit development as state industrial policy necessitates, the entire amount of taxes collected going to the state treasury. Use of economic methods to guide the orientation of local government investment will permit greater coordination of central government and local government interests. It will change the method whereby resources are allocated solely through command-style plans, and ultimately change the restrictive method of investment whereby all investment projects have to be government approved in advance, and the use of "money chests" and "plan trays" (jihua panzi - 6060 0439 4149 1311). At the same time an "import law" should be drafted for the purpose of using the law to encourage and limit local government and enterprise imports, thereby bringing to a halt competition in imports for a revival of building them oneself. Places and enterprises that have already made imports should have the right to use the law as a weapon in protecting the fruits of their own imports in order to guard against duplication of imports.

The second problem is that prices are seriously out of line with value putting enterprises at a competitive disadvantage. Today when the price system has yet to be made completely rational and price distortions still exist, commodity prices cannot accurately reflect value. The current enterprise production process shows that cash outlays associated with production costs cannot realistically reflect the expenditure of inanimate labor. Likewise, when calculating the new value of products, there is actually a disjunction with the amount of animate labor expended. Value calculated at these prices cannot accurately show the actual results of enterprises' production and business dealings. Thus, it is also very difficult to make an objective evaluation of the different enterprise operations and the amount of their economic returns.

Furthermore, because the available amounts of the elements of production are unable to circulate smoothly among departments and enterprises, equal profits and production prices cannot occur. Since prices are distorted, what does occur is monopoly profits of firms. Commodity prices neither reflect value, nor do they reflect production costs. This situation is expressed prominently in the business results of enterprises in the production field and the commodity circulation field. Take western Shaanxi, for example, where the enterprise operation contract system began to be applied across the board in 1987. Three years of practice show that industries in the materials, foreign trade, grain, business, and supply and marketing fields (corporation above the prefecture and municipal level) made higher than average profits, and enterprise-retained profits were higher than for industrial enterprises in the production field. The portion of retained profits of enterprises in the

commodity circulation field that are higher than those of industrial enterprises in the production field actually result from prices that are higher than production costs. Thus, they are gains from profits that are higher than average profits. An extremely similar difference also exists among industrial enterprises in the production field. The overly high profits of some businesses present a marked contrast with the overall business losses in some businesses. However, because of the above mentioned price policies and the inability of the elements of production to flow smoothly, these differences cannot be straightened out. Inevitably the result is: "a distortion of price signals that causes enterprises to act abnormally, readjustments of the industrial structure not reaching anticipated goals." At the same time, enterprises and business face a complicated market environment resulting from prices that artificially vary from value and production costs. They lack objective assessment method or standard they can use to compete fairly. Thus, the frontrunners are cut down while the laggards are protected. This makes it difficult to enliven enterprises.

Price reform requires a combination of release and control. While removing restrictions on prices, a regulatory system for balancing prices must be built. The way to do this is to use a the median profit rate of businesses, or the profit rate of medium-sized businesses as a standard for setting an average profit, using this as a basis for ultimately setting a social production price. This should be compared with the profit rate of those businesses and industries that should be supported and developed, corresponding adjustments made. A differential profit rate can be adopted using economic methods such as increasing or decreasing taxes to make the profit rate of these enterprises approach the average profit rate, thereby ultimately changing price distortions.

The third problem is the huge party and government apparatus whose operating personnel exert tremendous external pressure on enterprises, in addition to which, personnel leaving or retiring from enterprises are gradually increasing direct internal pressures on enterprises. This creates very great difficulties in efforts to invigorate enterprises. Pertinent data show that the number of people in party and government organs and in operating bodies in Shaanxi Province increased from somewhat more than 400,000 in 1980 to nearly 1 million at the present time. This was a net increase of more than 400,000, resulting in a more than 1 billion yuan increase in expenses. Although Shaanxi's government revenues increased at an annual 14.5 percent during the Seventh Five-Year Plan, less than 200 million yuan was available each year to build production in the province. Despite steady cutbacks in administrative operating expenses in recent years, not much decrease has occurred in either the individual or public expenses of party and government organ operating units. On the contrary, since 1987 expenditures have increased from less than 2,000 yuan per capita to more than 2,500 yuan. This eating up of revenues has steadily increased. Despite the decrease in funds at the disposal of the government, the expenditures of Party and government organ operating units

have not declined. Where is the money to come from? The truth is that these government cutbacks have been shifted to the backs of enterprises under one guise or another.

In addition, the increasing number of separated and retired staff members and workers places tremendous economic pressure on large- and medium-sized state-owned enterprises. A random sampling shows approximately one out of every four staff members and workers in large- and medium-sized enterprises founded in Shaanxi during the 1950's has retired. This percentage is continuing to rise. Drastic measures must be taken in the face of the overly heavy burdens on enterprises that the above two reasons occasion, freezing the number of organizations, personnel, and funds, not permitting anyone to enter a party or government organ for five years, and not filling vacancies left by the departure or retirement of cadres or staff members and workers. After five years, party and government organs should institute a policy of taking in one person for every two that leaves. Party and government units can fill personnel shortages through internal transfers from other units. Except for educational and basic scientific research academies and institutes, public agencies should be run like business. In general, no additional funds should be allocated to them or their funds should be gradually reduced. Plans for staff member and worker retirement wage expenses to be the responsibility of society as a whole should be accelerated, and an old-age insurance fund set up and steadily added to in order to reduce the burden on large- and medium-sized state-owned enterprises they can advance with a light pack.

Finally comes further discussion of the triangular debt problem. The more triangular debt is cleared up, the more it increases, the clearing of old debt only to incur new debt, and enterprises being seriously in arrears to each other have become prominent problems in economic life that seriously impair enterprises' production and business activities.

There are two reasons for triangular debt. One is a shortage of currency, and the other is insufficient funds. The two reasons are different in character. Enterprises in the chain of debt that results from a currency shortage either have sold products or have marketable goods not yet sold, but buying and selling among enterprises cannot continue because currency used as a medium of exchange in the commodity circulation field is not available. Thus, they have no choice but to enter into a cycle of mutual debt payment arrears if they are to be able to exchange commodities. This triangular debt can be cleared up by increasing the money supply.

Funds, unlike money, represent goods in being. Enterprises in the chain of debt that stems from a shortage of funds do not have a funds shortage because they have not sold their marketable goods, but for the following reasons: (1) Since the beginning of improvement of the economic environment and rectification of the economic order, investment has been held down to a certain extent

in order to solve the problem of too great a distribution of national income. This has led to a chain of debt among some enterprises. (2) A hidden government deficit resulting from government purchases on credit has led to a chain of debt for some enterprises. (3) Debts resulting from the accumulation in inventory of enterprises' finished products and funds taken away as a result of losses. Obviously, sole reliance on an increased infusion of currency for use as working capital cannot basically solve the problem of this shortage of funds.

In fact, the triangular debt resulting from the inadequate money supply and the triangular debt resulting from the shortage of funds are closely intertwined. Sole reliance on an increase in the money supply to clear away triangular debt and stimulate production is inadvisable. The only result would be that enterprises' whose triangular debt resulted from a shortage of funds would swallow up the gains of enterprises suffering from the inadequate money supply. For any given enterprise, defaulting on credit amounts to the uncompensated use of other people's funds. In real economic life, triangular debt is actually beneficial for enterprises which are in arrears. The benefits of late payment are generally acknowledged. Objectively, this increases the difficulty of clearing up triangular debt.

For these reasons, the key to clearing up triangular debt lies in improvement of the debt repayment system. Thus, the changes now taking place should be used to revise and perfect the economic contracts system in keeping with the needs of economic system reform. This should form the basis for charging penalty interest and imposing fines on enterprises that do not pay their debts, handling matters strictly according to the economic contract system. In addition to the effective debt payment methods that the State Council has instituted, the task of clearing debt between one region and another and between the central government and various industrial sectors should be linked together. If regions and sectors that are overdue in their payments cannot pay their debts within a fixed period of time, the sum should be deducted from central government disbursements as a means of clearing up their overdue debts. Supervision should also be exercised over financial accounting among banking enterprises to prevent banks from delaying or diverting funds that one enterprise pays another for the settlement of accounts.

Jiangsu Shows Shaanxi Way to Prosperity

92CE0095F Xian SHAANXI RIBAO in Chinese
18 Oct 91 p 1

[Article: "Provincial CPC Committee Secretary Zhang Boxing (1728 0514 5281) Holds Talks With Cadres Visiting Shaanxi From Jiangsu During Provincial CPC Committee Work Conference—Learn From Each Other and Complement Each Other's Strengths for Joint Development and Joint Prosperity"]

[Text] On 15 October, Provincial CPC Committee Secretary Zhang Boxing held cord talks with cadres and comrades in charge visiting Shaanxi from Jiangsu. He listened to developments since they came to work in Shaanxi half a year ago, and solicited their views and recommendations about Shaanxi's economic development. Conference attendees included provincial CPC Standing Committee chairman and provincial CPC Organization Department director Zhu Yimin [2388 4135 3046], deputy provincial governor Liu Chunmao [0491 2504 5399], provincial CPC committee general secretary Zhang Jingwen [2729 2529 2429], provincial CPC committee organization department deputy director Liu Kuichu [0491 2247 2806], provincial government deputy general secretary Xia Yu [1115 1342], and cadres visiting Shaanxi from Jiangsu Yang Yongyi [2799 3144 3085], Ding Jiemin [0002 6043 3046], Shen Zhongxing [3088 0112 5281], Xie Jifei [6200 0370 7378], Liu Qi [0491 4388], and Yang Shaomei [2799 1421 5019].

During the talks, the Jiangsu comrades in charge visiting Shaanxi said that the thing impressed most deeply on their minds was "a good beginning made for early achievements."

The first achievement was the shaping of a mental approach to work through careful inquiry. "Without careful inquiry, no one has the right to speak." After having been assigned along with 73 visiting cadres to Hanzhong, Baoji, Ankang, and Shangluo, they immediately devoted themselves to investigation and study during which they traveled to 31 counties (cities) where they visited enterprises under prefecture (or municipal) jurisdiction and economic departments in charge. They held more than 800 meetings of various kinds, and they went into impoverished to conduct investigation and study. On the basis of their investigations, they wrote 75 investigation reports, 25 of which were forwarded as documents of prefecture CPC committees, prefectural government offices, municipal CPC committees, and municipal governments. Another 37 were used in internal use publications. The comrades who went to 31 counties in four prefectures (or municipalities) used their investigation and study as well as their familiarity with events to produce a mental approach and ideas on how to proceed that were tailored to local realities.

The second achievement was that instead of behaving like guests, they took active part in leading economic work, playing a fine role. Acting in accordance with requirements of the CPC committees and government of Jiangsu and Shaanxi Province, they made suggestions about the approach to be followed in developing the local economy. These suggestions received the serious attention of the local CPC committee and government, and some of them have been incorporated into the local Eight 5-Year Plan and 10 year plans. For example, a portion of their investigative report on the economic situation in Hanzhong Prefecture the prefecture government included in its Eight Five-Year Plan and 10-Year Plans. Second, they took active part in organizing and leading

current industrial production. An example, was the attention they gave to the "quality, variety, and benefits year" campaign. They used a firm hand on enterprise internal management, and acted firmly in carrying out the spirit of the Conference of Prefecture and Municipal CPC Committee Secretaries. They stressed the development of township and town enterprises, and they worked hard on product sales, etc. The local cadres said to a man that they had not known the visitors before, but now that they know them, they truly feel that the Jiangsu cadres had a solid work style, were professionally seasoned, and had innovative thinking. They are a model to be emulated. Third was participation in study and formulation of policies to hasten development of the local economy. They both helped the local government use central, provincial, and prefecture policies well, completely, and flexibly on the one hand, while also relating experiences and lessons gained in economic development in Jiangsu to local realities, proposing some new policy measures. For example, on the basis of their investigations, they proposed a policy containing 33 provisions for nurturing and developing township and town industries in Baish County, which the county CPC committee and county government issued as an official document.

The third achievement was the outstanding achievement made in the building of a bridge for long-term economic and technical association between the two provinces. During May 1991, provincial CPC committee secretary Zhang Bing led a delegation on a visit to Jiangsu where he signed a "Summary of Consultations Between Shaanxi Province and Jiangsu Province on the Further Strengthening of Exchanges and Cooperation." The two provinces have acted diligently in the spirit of these regulations, thereby promoting even more a long-term cooperative economic relationship between the two provinces. As of the present time, 23 of the 31 counties (or municipalities) have conducted surveys in counterpart counties in Jiangsu. Baoji City in Shaanxi and Zhenjiang City in Jiangsu, Nanlun in Shaanxi and both Nanjing and Changzhou in Jiangsu have become sister cities. Counties, townships, towns, and villages have also formed friendly relations, among them the nationally renowned Huaxi Village in Jiangyin City, which has established friendly relations with Gaochao Village in Mianxian County. Mutual contacts have become closer and closer, all counties (and cities) having a number of real economic and technical cooperation projects, some as many as 10 or more, and others between three and five. In addition, the survey visits of nearly 1,000 cadres to Jiangsu has played a very great role in promoting the emancipation of thinking, developing mental approaches, and producing fresh ideas.

Shanxi State Assets Management Bureau Work Reported

92CE00764 Chongqing TIGAI XINXI (SYSTEM REFORM NEWS) in Chinese No 153, 5 Aug 91 pp 20-21

[Article by staff reporter: "Property Rights Management Develops From State Assets Management"]

[Text] Note State assets management in the process of reform, with a new organizational structure and new management methods, is a wholly new thing. In particular, this requires the summing up of new experience, and the discovery as soon as possible of a path for state assets management that is appropriate to China's national conditions. The Shanxi State Assets Management Bureau is firmly focused on the core work of developing state assets management, strengthening property rights management, particularly bringing contracts into a property rights restriction mechanism and promoting the optimum makeup of existing stock assets, which may be regarded as good experience. In publishing this article, in addition to providing a reference, the editor also hopes to bring in even more experience, and enhance exchanges on this topic.

Since the work of the Shanxi State Assets Management Bureau got underway last year, it has been firmly focused on property rights management, the central link in the development of state asset management work, and its experience has attracted the attention of the national State Asset Management Bureau.

Establishing a system for handling certification of credit standing. The Shanxi State Assets Management Bureau believes that handling certification of enterprise state asset credit standing is work that should be done in the early stages when enterprises are conducting property rights registration. In July of last year, they issued a joint document with the provincial Financial Department and the Industry and Commerce Administration, which stipulates that when handling industrial and commercial legal body or business registration, altering registration, and annual registration inspection, all types of enterprise units using state assets must have their capital examined by the same level state asset management departments, and provide proof of their state asset credit standing. In property rights disputes that occur in foreign joint investment, cooperation and joint management activity, when it is necessary to provide proof of credit standing, this will also be provided in a unified manner from the same level state asset management departments. It also stipulates that units which do not handle the proof of credit standing, the Industry and Commerce Administration will not go through business registration procedures and will not issue a business license. Since this system was established more than six months ago, 56 provincial party committee directly subordinate enterprise units have gone through the formalities of proving their credit standing. When the boiler inspection under the provincial labor bureau was established, as a result of verification, 250,000 yuan of the original 320,000 fund accumulated in the name of the collective registration was affirmed as a state fund, and concrete stipulations have been made on its use and repayment, and the drain on this state fund has been stopped.

Actively adopt measures, clear up and take over state assets of abolished corporations. In clearing up and reorganizing corporations, the province has determined that provincial subordinate units have 103 corporations

that must be abolished or merged. These corporations account for close to 100 million yuan in state assets. The Shanxi Province State Assets Management Bureau, on the basis of a conscientious study, will jointly issue with financial, business and personnel departments, "Some Stipulations To Protect State Assets During Clearing Up and Reorganization," and "Additional Stipulations," which set clear stipulations for handling such problems as handling and continuous use management of enterprise group use of state assets, asset take over methods for different types of corporations during abolishment, going through asset evaluation procedures, asset transfers after changes in the responsible department, etc., and formulating countermeasures for freezing the bank accounts of companies that have already announced inventory divestment, but are still under an unclear management situation.

In carrying out these measures, for individual cases where the truth is concealed, or attempts are made to embezzle state assets, they will adhere to principle, get to the root of the matter, and investigate the facts. At present, they have already completed assets handling procedures for 15 provincial subordinate corporations, supplying more than 1 million yuan to the national takeover fund, and transferring more than 3.1 million yuan in assets.

The individual issuer of the contract participating in second stage contracts put property rights restriction mechanisms into state enterprise reform. They set about this job comparatively early on, and in September of last year held a province wide state asset management cadre training class in which more than 180 people from the various county and province subordinate relevant departments participated. The emphasis was directed towards research and simulation operation training for establishing a state asset quota examination system to preserve and increase value in the second stage, and how to calculate a state asset quota for preserving and increasing value. They, along with provincial organizational reform committees and provincial financial departments jointly drafted "Views On Calculating and Assessing Contract Enterprise State Assets Quotas for Maintaining and Increasing Value," established a responsibility system to maintain and increase value of state asset, clarified the position, function, and responsibility of each level of state owned asset management department in contracting, and through participation in making a contract, two quota examinations and making good on contracts, are bringing property rights into enterprise management. Starting in the latter part of October of last year, business enterprises throughout the province began to enter into second stage contracts. At present, this work is basically completed. The second stage contracts of 49 provincial subordinate enterprises all participated as the issuing side. Prefectures, cities and more than 20 counties have already established mechanisms, and the great majority participate as contract issuers in the second stage contracts of local business enterprises. Locales which have not yet established

mechanisms have entrusted their financial departments with conscientious estimates, and in contracting, have established a responsibility system to maintain and increase value of state owned assets.

Focus on promoting the optimum combination of stock assets, and support the development of enterprise groups. The Yuci Hydraulic Group Corporation was established in 1988 with the approval of the provincial government, and large enterprise groups are listed in the provincial plan, with 41 member enterprises, among which five closely integrated enterprises owned by the whole people are distributed in four local cities. Due to the effects of vertical and horizontal cleavages, stock assets cannot move freely, and there is no way for group dominance and economies of scale to emerge. In August of last year, the provincial government approved asset management integration by the Yuci Hydraulic Group, and decided that asset planning by the provincial state owned asset management department of its closely integrated member enterprises would be shifted to the main factory, and unified management would be done by the Hydraulic Group Corporation. Under the coordination of the responsible departments, for the five member enterprises 71.3 million yuan in assets were shifted to a property rights plan. Since the asset plan shift, the group corporation has been carrying out unified contracting for provincial finances. In January of this year, they also organized an asset estimation team of close to 60 people, which conducted a comprehensive estimation with respect to the five member enterprises' asset values, and laid the foundation for the group corporation to conduct a revision of the internal product structure and enterprise organization structure and for effective unified management. At present, Taiyuan and Datong cities also are actively participating in work aimed at utilizing property right methods to revise stock assets, and promoting the development of enterprise groups.

In terms of examining and approving the strengthening of property rights changes some initial institutions were established. When changes occur in state owned asset property rights, it is necessary to report this to the State Owned Asset Management Department for examination and approval. This is one of the basic institutions that the Shanxi State Owned Asset Management Bureau uses for conducting property rights management. Last year the provincial people's government issued "Circular on Strengthening State Owned Asset Management Work," which clearly stipulates that from now on, all those using state assets will participate in stock management, joint management and conduct enterprise annexation, and for domestic sales by legal persons or natural persons of enterprises not owned by the whole people, and foreign owned assets, it is necessary to report to various levels of state owned asset management departments for examination and approval, and to go through the relevant formalities. Based on the spirit of the provincial government circular, for enterprises in economic activity such as conducting annexations, stock management, rental management, joint management, small-scale enterprise

sales and administration of economic activity involving industrial and commercial units using state owned assets to "create sources of income," they have made some stipulations and demands on changes in state owned asset property rights and property right income. Taiyuan, Yuncheng, Lingxi and Quwo cities have also in succession drafted some concrete stipulations and measures. These institutions and measures have achieved excellent results in the process of their implementation, have effectively safeguarded the rights and interests of state owned assets, and strengthened the consciousness of every unit in administering assets according to the law.

INDUSTRY

Shanghai To Speed Up Production of 'Santana' Car

GW 1511134091 Beijing XINHUA in English
1309 GMT 15 Nov 91

[Text] Shanghai, November 15 (XINHUA)—Shanghai will speed up nationalization in production of Santana automobile at the city's Sino-German joint venture—the Shanghai Volkswagen Automotive Company, Ltd.

The goal of the effort is to enhance the overall level of China's ability to produce components for the sedan and promote the development of auxiliary industries such as the rubber, steel and glass industries.

According to a related meeting which closed here today, as part of the effort to promote domestic production of the Shanghai produced Santana model, more than 190 factories throughout China are now engaged in manufacturing over 70 percent of the components and parts for the automobile. They include key components such as the car body, engine, gear boxes, and the front and rear axles.

During 1992, these factories are expected to produce component parts valued at over 2.4 billion yuan. The production volume of the model is expected to exceed 60,000 units during 1992.

Super Computer Contributes to Construction, Research

GW 1111142991 Beijing XINHUA in English
1218 GMT 11 Nov 91

[Text] Changsha, November 11 (XINHUA)—Bewildered by a thorny problem, technicians of the Jiangnan Oilfield in Hubei Province went for help to a super-large-scale computer in neighboring Hunan Province.

As a result, a rich oil deposit was found.

The "Yinhe" (Galaxy) computer, capable of 100 million operations per second and China's first such, has been playing a very important role in the country's construction since it went into operation in 1983.

Its developer was the Computer Research Institute of the University of National Defense Science and Technology in this capital of Hunan. In the Jiangnan Oilfield Project alone it helped raise the exploration efficiency by over 200 percent, bringing about an economic return of two million yuan.

The computer began to service users from all over China in 1984 and has been operating around the clock every day since then, director of the institute Chen Fujie told reporters.

Over the past eight years the computer has worked on numerous difficult issues brought to it from across China, covering industrial aspects such as oil, meteorology, aerospace and seismic prospecting.

The users all deem the "Yinhe" computer stable and reliable, and its software has been consistently updated to solve problems accurately and rapidly.

The institute has not only helped some departments gain access to different types of "Yinhe" computer systems, but also successfully developed "Yinhe" series products, such as the "Yinhe-F1" digital computer and "Yinhe-X1" super-mini-computer. It also helped with the building of China's first oilfield seismic data-processing system in Hebei Province.

The "Yinhe" simulation computers have been successfully used in the design and production of space rockets. The data-processing system can help each oil well save 20,000 yuan to 30,000 yuan a year.

SMALL-SCALE ENTERPRISES

Township Enterprise Impact on Distribution

92CED0114 Beijing ZHONGGUO NONGCUN JINGJI
[CHINA'S RURAL ECONOMY] in Chinese No 5
21 Aug 91 pp 29-34

[Article by Wang Zhen of the Township and Town Enterprise Research Center, Shanghai Academy of Social Sciences "Township Enterprises and the National Distribution of Resources"]

[Text] 1. Township Enterprises and Changes in the Pattern of Resource Distribution in the National Economy

Greatly stimulated by the economic structural reforms after 1978, township enterprises, which in the past had not experienced high rates of growth, vastly improved their position and influence in the national economy and sent shock waves through traditional resource distribution. By the end of 1989, total industrial output value of township enterprises had climbed to 26.73 percent of the national total, up from 11 percent in 1978. This proportional increase shows the fundamental change that has occurred in the resource distribution patterns in the national economy, patterns which have long been based on the principle of "urban industry, rural agriculture."

At the same time, it has also formed the basic force behind the rapid economic development of the eighties.

Change No 1: A huge agricultural work force moved into nonagricultural industry in their local rural areas transforming the surplus labor of the rural areas into a productive resource. During the 30 years prior to economic structural reform, China had opted for a fairly exceptional course of industrialization. It involved a system of planned purchase and sale of agricultural products which was used to impose a price scissors differential on industrial and agricultural products, in this way forcibly shifting the largest part of agricultural surpluses into industrial accumulation. It also involved a system which used household registration, grain rations, housing, and other methods to restrict free migration to the cities of the rural labor force and a system of planned unified distribution to hinder production factors outside of agriculture from flowing into nonagricultural rural industries. This relieved, as far as possible, rural work force pressures on state-run industries and urban employment. This path toward industrialization enabled China to establish a fairly complete industrial system in a relatively short time. However, it forced a large number of rural workers to remain in a narrow rut. Under the effects of the law of diminishing returns, the constantly increasing rural work force not only did not create new material wealth, on the contrary, it created negative input and output because of its consumption. This meant that the rural areas' so-called rich labor resource was merely a latent resource and not a productive resource.

Following reform, the rapid development of township enterprises completely changed the distribution of the existing rural work force and even the national distribution of labor resources. In 1989, the rural work force employed in township enterprises had already reached 94.66 million persons. The proportion of the rural work force employed in township enterprises climbed from 11.28 percent in 1978 to 22.87 percent in 1989, and in the eastern coastal regions and in the large- and medium-sized urban suburbs, this proportion was generally over 40 percent. For the country as a whole, township enterprises in 1989 accounted for 34.76 percent of the total number persons in the industrial sector, up from 28.47 percent in 1978. The changes described here are generally considered to represent a historical transformation in China's employment structure and to be a significant factor in the 13.3-percent average annual increase in GNP that was achieved during the eighties. The contribution of township enterprises to national industrial growth during this time averaged 30.18 percent and in 1988 reached a peak of 51.75 percent. Rural labor productivity increased from 665 yuan in 1978 to 3,538 yuan in 1989.

The classical theories of development economics make clear that, when developing countries that are short of capital utilize their unlimited supply of cheap labor to promote industrial accumulation, this is a necessary

stage of development and an important means of realizing economic takeoff. It was after the factor of substituting labor for capital was widely adopted that township enterprises experienced their high growth rates. Using a low "capital-to-labor" ratio, surplus agricultural labor was effectively shifted into nonagricultural industries with their relatively high rates of productivity.

Change No 2: With rural industry's large-scale expansion of fixed assets, China's industry essentially formed two large and relatively distinct industrial systems. Along with the massive shift of surplus agricultural labor to township enterprises, there was also a large-scale expansion of rural industry's fixed assets. Between 1978 and 1989, the original value of the fixed assets of township and village industrial enterprises increased on an average of 21.31 percent annually, 11.6 percentage points higher than state-run industrial enterprises. As a result, their proportion to the total amount of all industrial fixed assets increased from 6.54 percent to 12.51 percent. The original value of fixed assets owned per capita by rural industrial enterprises increased five times compared with 1978, and the average annual rate of increase was 15.78 percent, 10.45 percentage points higher than for state-run industrial enterprises. Two tendencies are embodied here. First, more and more industrial assets from the total assets and resources of the national economy are flowing into township enterprises, and as a result, large-scale, labor-intensive industrial clusters employing low and intermediate levels of technology are being fostered in the rural areas. Second, a trend toward capital intensification in the fixed asset investments of township enterprises is now manifest, in particular in the eastern coastal regions and in the suburbs of large- and medium-sized cities. Some township enterprises have now entered a period of structural transformation in which their industrial development is capital and technology intensive.

Owing to differences in original development and operating procedures between township enterprises and state enterprises, two large industrial systems have now formed in China—one urban and the other rural. The former enjoys the advantages of technology and scale, the latter labor and operational mechanisms. However, their most fundamental difference lies in their representing two distinct interests: those of the cities and those of the rural areas. The faster growth of rural industrial fixed assets over those of urban industry meant that, in the readjustment of interests between town and country, development mainly favored rural areas and the peasantry, or to put it another way, the faster growth genuinely established a material base which narrowed the differences between town and country.

Change No 3: With the need of township enterprises for energy and raw and semifinished materials steadily on the rise, market mechanisms increasingly were used along with the mechanisms of traditional resource distribution. When the need of township enterprises for energy and raw and semifinished materials became even

greater because of the shift in surplus agricultural labor and the relatively large expansion of rural industrial fixed assets, even more profound changes occurred in the old methods of resource distribution and in macroeconomic operations. In the vast majority of cases, sources of labor and capital for township enterprises were, as a rule, limited to the community. For this reason, the rise of township enterprises could greatly change the structure of rural society and its economy. However, if there was no inflow of outside production factors and no outflow of goods, they would be unable to promote change in society as a whole. A great deal of the energy and raw and unfinished materials needed by township enterprises comes from outside. This is particularly true for township enterprises in the suburbs of large- and medium-sized cities. Most of the energy and materials needed come from the nearby city or from cities outside the province. The more these enterprises invested, the more labor they absorbed. The greater the amount of energy and materials that flowed into the rural areas, the broader was the circulation of factors between regions and the greater was the market distribution of resources. In particular, with energy and raw and unfinished materials industries lagging and with an inadequate supply of basic resources, the faster growth of township industry in comparison with urban industry clearly showed that the share of resources distributed to the rural areas was gradually on the increase. Of course, the so-called "struggle" over energy and raw and unfinished materials between town and country that this produced could not be avoided.

The three types of resource distribution are market distribution, planned distribution, and market distribution with strong government interference. Resource distribution for township enterprises belongs to the market category. Described as having grown up in the crevices between traditional agriculture and urban industry, township enterprises, under the dual incentives of employment and wealth, have formed market-oriented operating mechanisms. It is these mechanisms that created the miracle of the high growth rates and, at the same time, brought market mechanisms into the traditional economic structure and strengthened economic vitality. It then provided valuable practical experience and the basic motivation for setting up a system of resource distribution which combined economic planning with market regulation. The steady increase in status of township enterprises in the national economy means that the marketization of resource distribution can now never be reversed. The competitive success and efficient growth of township enterprises have pushed state enterprises into reform, causing them to switch from planned production to market-oriented operations.

II. Township Enterprises and Errors in National Resource Distribution

In the mid-eighties, macroeconomic results began to fluctuate greatly and to be inefficient. This was the signal that resource distribution in the national economy was clearly in error. Major errors were reflected in three

ways. First, with agricultural investment on the low side, production began to fluctuate, second, development between basic industries and manufacturing industries was uneven, and third, regional homogeneity in industrial development grew more intense. How are we to explain these errors? A fairly common view holds that the high growth rate of township enterprises gave rise to these errors and contradictions. The basis for this is: (1) too much shifting of agricultural surpluses and the shifting of highly qualified agricultural labor shook the foundations of agricultural production, (2) township manufacturing industries developed far faster than those in the cities, and township enterprises invested little in basic industries, (3) township enterprises each went their own way, with overlap being extremely common, thereby bringing the problem of homogeneity to the macroeconomic level and further complicating the overall situation.

I think that, while township enterprises did somewhat magnify errors in the national economy's distribution of resources, it was not enough to form the root cause. The real cause was the severely distorted price system, as well as "market lapses" and "plan lapses" brought about by structural shifts and administrative breakups. There were unrecalled errors in resource distribution long before the existence of large numbers of township enterprises.

Township Enterprises and Agricultural Fluctuations

In the early eighties, capital accumulation for township enterprises came mainly from shifts in agricultural surpluses. After 1978, increased agricultural production and the markup on agricultural sideline products greatly increased agricultural surpluses. In addition, rural reform bestowed on rural economic organizations and the peasantry substantial authority to allocate agricultural surpluses. There were two basic conditions which accounted for the large number of township enterprises in the rural areas. The ability of rural areas to shift their agricultural surpluses to township enterprises was bound to further reduce agriculture's accumulation and affect material investment in it. From this, it would appear that we can infer that rapid growth of township enterprises equals agricultural fluctuations, and it would further appear that the shift of a large body of young, robust agricultural workers gives added credence to this argument. However, the "shift" is, after all, only a superficial process. What it reflects, in fact, is a ponderable process of production factors moving from poorly efficient traditional agriculture to highly efficient non-agricultural industries.

Compared with the time before reform, agricultural production efficiency actually is relatively high. However, compared with nonagricultural industries, agriculture is still a low-efficiency sector of production. Despite township enterprises having absorbed a total of 6-7 million agricultural workers during the eighties, the absolute number of workers in the agricultural sector increased by 41.3 million owing to the even larger

increase in the worker population. This means that problems involving the huge surplus of agricultural workers were not, at the national level, greatly alleviated. This is one important reason that production efficiency of agricultural labor has always been difficult to improve. In addition, not only was there no increase in the prices of agricultural sideline products after 1984, such problems as "difficulty in selling grain" and the "storage crisis" led to prices falling, and the efficiency of agriculture, whose earnings ratio was not high in the first place, worsened. The price "scissors differential" for industrial and agricultural products again widened. For example, the combined comparative price index for industrial and agricultural products in 1985 was 95, in 1986, 97, and in 1989 103.2.

With rural areas having, after reform, organized resource distribution on the basis of profit and with the extremely clear signal and motive force provided by the low prices and earnings of agricultural sideline products, the shift to nonagricultural industries of whatever was possible to shift in the inventory of agricultural resources was bound to have a positive effect on rapidly improving the efficiency of the entire rural economy. The excessively low prices and earnings ratio for agricultural sideline products greatly enhanced that signal. This made it hard to avoid an excessive shift of agricultural resources and inadequate investment.

In fact, the influence of the signal similarly affected macroeconomic and local economic policies nationwide. Looking at the country as a whole, from 1980 to 1987, state financial expenditures climbed from 121.27 billion to 244.85 billion yuan, an increase of 101.9 percent. During the same period, funds in support of agriculture merely rose from 15 billion to 19.55 billion yuan, and the proportion of funds in support of agriculture in total state expenditures declined from 12.4 percent to 6.3 percent, a drop to the lowest level ever. We now recognize the peril of insufficient agricultural investment and the need to invest in it appropriately. However, if we do not resolve the problems of irrational prices and low efficiency, the peasantry, as our main body of producers, will be unable to be genuinely enthusiastic about investing or working in agriculture. If this occurs, agricultural instability will be making economic development difficult for a long time to come.

Township Enterprises and the Unseen Macroeconomic Industrial Structure

Along with the constant increase in their proportion of the national economy, township enterprises widely affected changing trends in the industrial structure that cannot be underestimated. Naturally, the rapid growth of township enterprises was bound to become an important factor in the structural imbalance between basic industries and manufacturing industries. This was because township enterprises gave priority to manufacturing. For example, in 1989, manufacturing output value accounted for approximately 82.9 percent of township industrial output value, and in the eastern coastal

region and in the large and medium-sized cities, the proportion was often more than 95 percent.

However, China's basic industries have been relatively lagging for a long time now. As early as the fourth and fifth five-year plans, there was an energy shortage. In 1977 and 1978, a shortage of electricity idled one-quarter of the nation's production capacity. In 1978, we imported 8.6376 million tons in steel products nationwide. This accounted for slightly more than one-quarter of our domestic output. And as far as communications and transportation are concerned, they have never, since the founding of the People's Republic, developed at the level they should have. The contradictions of the seventies are now becoming manifest. What went wrong with the rapid industrial growth of the eighties were the high prices and the big profits that emerged in manufacturing and the low prices and negligible profits that emerged in basic industries. Irrational price relations and excessively high earnings ratios in manufacturing acted as a stimulus to local governments, which after reform were sharing in more power, and enterprises, which were operating under contracts, to give priority to distributing limited resources into manufacturing. This was an attempt by localities and enterprises to maximize their profits. In the midst of this, township enterprises tilted even further toward developing manufacturing. Since resource distribution to township enterprises is governed by price signals, except for certain extractive industries which developed because of their proximity to resources, the majority of rural regions concentrated their investment of funds and labor on manufacturing. In addition, the ability of township enterprises to mobilize and organize funds was always extremely limited, whereas, for basic industries, the scale of investment was generally large, the building cycles long, and their effectiveness only recognized over the long term. This was not acceptable to township enterprises.

Basic industries in many developed countries have similarly low earning ratios. However, policies giving priority to state investment promote leading development of their basic industries. The strategy for Japan's heavy industry during its early stages was carried out with strong governmental intervention. In terms of economic structure, the regulatory mechanisms of China's planned economy have to be even more efficient than market regulatory mechanisms when it comes to concentrating distribution on a large scale. For example, during the period of the First Five-Year Plan, China's heavy industrial system was initially built on the basis of "poverty and blankness." However, with respect to the "dual tracks" formed by economic reform of the eighties, many manufactured and assembled products were, on the one hand, subject to a handwagon effect in which they were at once oversupplied because of "market lapses" caused by incentive mechanisms. On the other hand, the effects of planning and regulation were severely impaired by reform decentralization. The capability of organizing national resources greatly declined. This led to an administrative reorganization and a redistribution of

resources which we were also unable to carry out effectively. The result was that the large investment urgently needed in basic industries and in agriculture was again delayed and contradictions in the macroeconomic industrial structure became unbearable. Statistics show that, compared with investments in society as a whole, investments in our basic industries declined from 42 percent in 1978 to 26.8 percent in 1987, much, much lower than the 40-percent level developed countries must reach. The "dual lapses" made the severe lag in basic industries impossible to avoid. Rapid growth of township enterprises was merely an earlier manifestation of industrial imbalance.

Township Enterprises and Industrial Homogeneity

Industrial homogeneity, which is seldom seen in the economies of the world, refers to a phenomenon which emerges during the growth of industrial regional structure. It is when identical industries, duplicate structures, and similarities of scale simultaneously exist separately among the regions. The injection of township enterprises into the picture brought the problem of industrial homogeneity to narrower regional levels such as counties and townships. Decentralized resource distribution is bound to harm large-scale earnings. However, when there are certain relatively large market shortages, it is easy to jump on the handwagon with products whose earnings are relatively high for short periods while striving for high-volume profits. The result is to intensify the problem of industrial homogeneity and to rapidly create a surplus of goods and production capacity.

Township enterprises truly complicated the problem of industrial homogeneity and brought it down to the microeconomic level. However, the reformist notion to "delegate authority" under "combined government administration and enterprise management" and at the same time arouse the enthusiasm of local governments was bound to strengthen industrial homogeneity. "Delegation of authority" was carried out against the background of "combined government administration and enterprise management," and it enabled enterprise competition to evolve into competition between provincial and municipal governments at the upper levels and between township and village governments at the lower levels. For their own interests, many localities, often showing no consideration for the situation with respect to local stores of resources, production capacity, and national unified industrial patterns, vied for goods which brought high prices and big profits. Rural governments and town enterprises were only the smallest units in all this. At the same time, in order to protect their own interests, they used administrative means to impose resource blockades and market monopolies. With administrative barriers at every level, they separated the factors market and products market, which were in extreme need of being unified and greatly reduced the regulatory effectiveness of market mechanisms, thereby causing "market lapses" and forming so-called "dual economies." At the time, owing to gradual weakening of centralized strength and owing to the existence of large

amounts of funds and materials outside the plan, there was an inability to fully exploit centralized regulatory functions with traditional planning methods. This caused "plan lapses." For example, the demand to improve agriculture and basic industries was included in state planning long ago, but, typically, it was never implemented.

III. Township Enterprise Prospects and the Shape of Resource Distribution in the National Economy

Township enterprises in the nineties will still be an extremely important motive force in the motive force structure of the rural economy and national economy.

Thriving as they are, township enterprises, which have already become pillars of the economy in the rural areas, will have a direct effect on a series of economic issues, such as employment stability, peasant income, rural welfare, and government income. Their greatest influence will still be on the shift in surplus agricultural labor. However, no matter how deep the reform of the nineties might be, it would seem that those ideal times when China's surplus agricultural labor can "leave the soil and leave the village to find work in the cities" will still be unlikely. This means that, for a relatively long period, township enterprises will still be responsible for the historical task of absorbing surplus agricultural labor. Of course, the higher efficiency created by shifting labor will be a motive force for the rural economy to continue rapid growth.

Throughout the country, the fluctuations of township enterprises, which are an integral part of the economy's division of labor, will have an immediate amplifying effect on macroeconomic fluctuations in prosperity. Large- and medium-sized state enterprise have always been an important mainstay in developing the economy. However, because of their structural rigidity, they must be invigorated and their status regarding the growth of the national economy restored. This will take a relatively long period of reform. Township enterprises clearly have a potential contribution to make toward improving the efficiency of the national economy. With the shift in surplus agricultural labor to township enterprises, with the vast capacity for efficiency that will be released when township enterprises transform themselves from traditional industries to modern industries, and with township enterprises, at the same time, continuing to promote rural industrialization, the process of modernization has now begun.

If we are to achieve new development, a good macroeconomic climate is critically important. This means that the direction of economic reform and the shape of national resource distribution must be advantageous to the transformation of township enterprises. Of course, this does not in any way mean that the state must adopt totally preferential policies to sustain the rapid growth of township enterprises. There is now a fairly representative view which holds that, in dealing with town and country industrial relations, the government should slice

off a portion of resources for township enterprises. This is, in fact, an expectation that administrative reorganizations can help obtain balanced development between urban and rural economies. Both theory and practice have shown that this approach is extremely ineffective. Administrative reorganizations will only set limits to township enterprise development. Specifically, township enterprises require the following type of macroeconomic climate: (1) Agriculture must have stable development. This will provide more needed agricultural surpluses in the form of labor and raw materials to agricultural sideline processing industries. Surplus agricultural labor is especially important to China's less developed central and western regions. (2) Basic industries must go ahead of the rest to gradually eliminate bottlenecks and to give manufacturing industries ample opportunity to develop. In particular, the state must consider building basic industries in the rural areas such as transportation and municipal engineering projects. (3) We must improve our building of a market system, eliminate local protectionism and separation of town and country, encourage an across-the-board circulation of production factors, and build an unrestricted system of information dissemination and market organizations separate from the government. (4) We must create relatively high rates of accumulation in order to support structural readjustments and technical transformations. This requires that the state give appropriate preferences in tax collection and credit policies. (5) We must create a reform atmosphere, thereby building up motivation for reform at the microeconomic level to gradually effect the separation of government administration and enterprise management and perfect the enterprise system.

We have already mentioned that severe distortions in the price system and "market lapses" and "plan lapses" created by structural shifts and administrative breakups have caused the major errors in national resource distribution. "Market lapses" refer to incomplete and immature market mechanisms which have made resource distribution less rational and increased expenses. "Plan lapses" do not totally negate the role of planning. They refer rather to basic lapses in the traditional controls on materials and traditional planning methods. Consequently, the key to harmonizing relations between township enterprises and agriculture and between township enterprises and basic industries and to strengthening cooperation in the division of labor between rural communities and between town and country lies in bringing order to the price system, eliminating the "dual lapses," and gradually establishing a form of national resource distribution which can fully exploit market regulation and which can give expression to the advantages of economic planning.

Township enterprises are a product of market regulation. To what extent market regulations can actually be expanded in future national resource distribution and how large a regulatory function they can play there will be the number one external factor affecting township enterprises. Because, if the market becomes temporarily

chaotic and we turn back, the negative consequences will be extremely large. Strengthening the market will in the short term present both an opportunity and a challenge. The opportunity is the possibility of attaining even broader industrial development, both in traditional labor-intensive industries and in modern capital-intensive industries. The latter will progressively and systematically change the structure of large industry throughout the country. The challenge is, after large and medium-sized state enterprises complete the transition to market-oriented operating mechanisms, township enterprises, which are smaller in scale, lacking in technology, and backward in management, will run into strong competition and operating mechanisms which previously took advantage of being "small and flexible" will lose their former fascination. From a long-range point of view, intensifying the market helps establish a climate of fair competition. Later, by means of competition, township enterprises will be stimulated to improve efficiency.

Irrespective of previous conditions, there will still be a period when township enterprises will have to accomplish resource distribution and economic operations without a complete market environment. It is highly likely that, before the old contradictions have been resolved, new ones will crop up. This is why strongly focused macroeconomic policies are especially necessary to provide guidance. For example, specialized preferential policies are required to guide the technical renovation and structural optimization of township enterprises and for such things as foreign exchange earned from township enterprise exports, construction of rural industries in small regions, development of rural tertiary industries, and rural environmental protection. To abandon or relax macroeconomic policy guidance would be extremely dangerous.

CONSTRUCTION

Jiangxi Starts Comprehensive Housing Reform

9/CE91/24 Beijing ZHONGGUO JIANSHE BAO
in Chinese 26 Oct 91 p 1

[Article by Sun Xuzhen (1327 1598 3791): "Housing Reform in Jiangxi Gets Fully Underway"]

[Text] Reform of the urban housing system in Jiangxi has entered the stage of being universal. Housing reform has struck root in the hearts of the people, and the work is proceeding smoothly.

All cities and counties have undertaken housing reform. Of 91 cities and counties in the province, 19 have either formally implemented it, made some changes, or are running pilot programs for comprehensive housing reform proposals of their own. 39 have carried out the three housing reform measures promulgated by the provincial government, such as the "Provisional Measures

on Raising Rent Standards in Publicly-Owned Housing" and 33 are currently drafting comprehensive housing reform proposals, and plan to produce them by the end of the year.

Attitudes toward housing have changed. Urban workers are starting to gradually change from relying on the state or their units to issue free housing, to individuals raising part of the money to solve their housing problems. As a result, the difficulties of building, assigning and repairing housing that have plagued leaders at all levels for a long time are lessening. Urban residents buying their own houses has become a trend, and the commercialization of housing is opening up. According to incomplete statistics, in the two years of 1989 and 1990, 660,000 square meters of commercial housing was sold in Jiangxi for 310 million yuan, of this individuals bought 210,000 square meters for 90 million yuan. Past inequities in the assignment of housing are being corrected. Many cadres and workers are moving out of small houses and into bigger ones and leaving shared quarters.

A new mechanism has emerged where the state, collective, and individuals raise money for housing construction. By "raising rents, subsidies, selling housing, collecting funds and building housing," Jiangxi has established housing and comprehensive funds on the three levels of the city, the enterprise or institution, and the individual. Jiangxi has established 90 real estate credit departments, which have over 20 million yuan in housing funds, and it is estimated that this might reach 100 million yuan by the end of 1991. At the same time, Jiangxi has also carried out programs to raise funds to build houses, and to build houses cooperatively. According to statistics from just seven prefectures and cities, 385 enterprises have raised funds for cooperative construction of 441,000 square meters of housing. Of this, individuals contributed 33.27 million yuan, or 43.1 percent of all investment in housing construction.

Housing reform has promoted development of the real estate, construction, and related industries. In 1989 and 1990, Jiangxi developed 1.6 million square meters of commercial housing, and development costs amounted to 450 million yuan. In Qianshan County, which implemented housing reform early, the increase in profits and taxes from the building materials industry in 1990 increased 100 percent over 1989. In Ganzhou City, which began housing reform in 1990, the output value of the construction industry was 96 million yuan that year, the annual growth rate exceeded 10 percent, and gross income of the real estate industry reached 6 million yuan, about three times that of 1986.

Brisk Housing Market Develops in Shanghai

92CE01128 Beijing ZHONGGUO JIANSHE BAO
in Chinese 29 Oct 91 p 1

[Article by Lu Lixiang (0712 4539 4362): "Commercial Housing in Shanghai Is in Greater Demand Every Day"]

[Text] The commercial housing market in Shanghai, which in the past rarely attracted any interest from most

people, took a turn for the better this year and began to get out of a sales slump. Now business is booming. Especially, high rise commercialized housing that sells for around 1,100 yuan per square meter are much sought after, to the point that many real estate companies must put out signs saying "we have no housing for sale at the moment."

At present, Shanghai has 80 real estate companies. In the past, their offices were deserted and the commercial houses they built were "ghost towns," vacant for years, and no one to enquire about them. After housing reform measures appeared, real estate companies have suddenly become noisy and bustling places, filled with customers almost every day. According to sources, all the housing in Shanghai priced around 1,100 yuan per square meter, both the more than 600,000 square meters built last year and the more than 1 million square meters in overstock from previous years, have been sold to enterprises, institutions, or individuals. By the end of April this year, the Farmer's General Real Estate Company of Shanghai had not only sold 4,000 square meters of commercial housing it had on hand, but also sold 7,000 square meters of commercial housing that cannot be delivered and put in use until next year. As of now, about 60 percent of Shanghai's real estate companies have no more commercial housing on hand to sell.

Why have sales of commercial housing turned around? Looking into it, the main reason is that leaders of enterprises and institutions want to really solve housing difficulties for the workers with the aid of housing reform. By spending a little money to buy commercial housing for the workers, they can arouse the initiative of their workers, and advance social stability, and let workers live in peace and contentment.

While gathering news, I also came to understand that some enterprises that are inefficient are also raising funds by every means to buy commercial housing from real estate companies. Factory heads at several small enterprises said that their factories have not given out any housing to workers in several years, and now the workers buy bonds to receive a housing distribution, and workers have undertaken part of the burden for their country. If they don't buy housing for the workers during their terms of office, then they won't be able to explain themselves.

Another reason for the turnaround in Shanghai's commercial housing market is that the city government, at the start of this year, notified real estate companies that they must select 10 percent of the commercial housing they completed last year to provide to households in special hardship. Shanghai's Red Flag Vehicle Factory recently bought housing for six of its workers who had an average of 2.5 square meters of living space, raising the hopes of other workers who live in difficulty.

FOREIGN TRADE, INVESTMENT

Border Trade With USSR Growing

OW1510035591 Beijing XINHUA in English
0201 GMT 15 Oct 91

[Text] Harbin, October 15 (XINHUA)—The border trade of northeast China's Heilongjiang Province with the Soviet Union has been on the rise since the beginning of this year.

By the end of August the province had signed barter trade contracts worth 4.28 billion Swiss francs and signed 135 economic and technological co-operation contracts involving 250 million Swiss francs, all overfulfilling the set quotas for this year.

Meanwhile, the province has also exported 11,124 labor personnel to the Soviet Union.

The province exports to the Soviet Union 1,000 types of goods ranging from light industrial products, textiles, daily necessities and farm products to medical equipment, machinery, household electrical appliances, building materials, means of transport, and meters and instruments, and imports from the Soviet Union now top 300 kinds, according to trade officials.

Sichuan Province Reaches Export Targets

OW1510082591 Beijing XINHUA in English
0654 GMT 15 Oct 91

[Text] Chengdu, October 15 (XINHUA)—Sichuan Province has completed its annual export quota three months ahead of schedule.

According to officials from the government of this southwestern Chinese province, the export volume has amounted to 997 million U.S. dollars in the first nine months this year, 105.1 per cent of its quota for the year. It is expected that the total export volume of the province will exceed 1.2 billion U.S. dollars this year.

Statistics show that the export volume of the province in 1990 was about 58 times that in 1978, and the province ranks 12th in the country now in export volume, up from 21st 10 years ago.

Sichuan Province is China's largest landlocked province with a population of more than 100 million; the province has established trade relations with more than 120 countries and regions.

To promote export competitiveness, the provincial government has made consistent efforts to readjust the export structure by setting up more than 130 export production bases and hundreds of cash-crop and livestock production bases including those of pork, grain, orange, and tea.

Now, the major export products of Sichuan Province have been industrial and high-tech products or products requiring high-precision techniques, a change from its

primary role as an exporter of raw materials several years ago. The export volume of some 20 kinds of products including heavy-duty machines, metal-processing products, cars, steel, silk products, and silk and cotton clothes have exceeded 10 million U.S. dollars.

Also the provincial authorities have made efforts to promote exports of labor service, signing labor service contracts of more than 1,184 billion U.S. dollars and sending some 45,000 people to work in more than 40 countries and regions since 1983.

Shenyang Company Produces Japanese Van for Toyota

OW0611092091 Beijing XINHUA in English
0852 GMT 6 Nov 91

[Text] Beijing, November 6 (XINHUA)—China has produced its first Toyota Hiace Van recently, a Toyota official announced here today.

Ohnishi Toshimi, a trustee of the Japanese Toyota Car Corporation, said the 15-seat Hiace Van was assembled by the Shenyang Jinbei Passenger Vehicle Company, Ltd. in north China on Monday.

The Jinbei Company, one of China's eight largest automobile producers, invested 330 million U.S. dollars to establish a Toyota Hiace production line.

Toshimi said the Jinbei Company can now fully assemble the Hiace Van and achieve 14 percent localization.

He said in two years the localization rate is expected to reach 50 percent and production capacity will be 20,000 a year.

China now produces about 600,000 automobiles a year. The country's automobile industry has cooperation with the United States, Germany, France, Italy, Austria and Japan.

Toshimi said the Jinbei Company is Toyota's first Chinese cooperation partner and Toyota will enlarge its automobile cooperation with China.

Impact of South Korea's Fast-Growing Trade With USSR

92CE0037A Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 8, 30 Aug 91 pp 27-28

[Article by Zhao Lianjun (6392 6647 6874) and Sun Shulin (1327 2579 2651): "Effect on China of South Korea's Acceleration of Economic and Trade Cooperation With the Soviet Far East"]

[Text] The rise of South Korea's economy and the opening of the Soviet Far East to development have resulted in an acceleration of economic and trade cooperation between the Soviet Union and South Korea. Both parties are jointly developing the Soviet Far East

market. The Soviet Far East is gradually becoming a bustling center in northeast Asia. Growth of the diversified economy of South Korea in recent years has also made Japan, itself an economic power, feel threatened. Between 1965 and 1988, South Korea's GNP shot up from \$120 per capita to \$4,400 per capita, industrial output value increased 50 fold, and exports increased 100 fold, with exports reaching \$59.7 billion in 1988. In order to find a larger market and sources of raw materials for its rapidly developing economy, South Korea has been quick to seize on the favorable opportunity that the eastward shift of the Soviet economy provides for entering into active cooperation with the Soviet Union in developing its economy. The Soviet Far East's abundant natural resources and vast markets attracted South Korea's attention. The Soviet Far East, which accounts for 28 percent of the Soviet Union's land area, has 72 percent of the country's coal reserves, 52 percent of its petroleum, 77 percent of its timber, and its energy reserves are extremely plentiful. By way of promoting further development of its Far East region, the Soviet Union set up an free economic zone and free port in the coastal border region in an active effort at cooperation with capitalist countries and regions such as South Korea. Since the two have identical desires, it is anticipated that economic and trade cooperation between the Soviet Union and South Korea will develop with astounding speed within a very short time. Trends toward economic and trade cooperation between the two are as follows.

First is a dramatic increase in bilateral trade. According to a March press report from the NEW CHINA NEWS AGENCY, trade between the Soviet Union and South Korea totaled only \$900 million in 1990, but the South Korean privately-owned International Economic Commission estimates that it will increase to \$3.5 billion in 1991, and that bilateral trade will reach \$10 billion in 1995.

Second is the bilateral signing of four agreements, which will bring faster development of economic cooperation. On 14 December 1990, South Korea and the Soviet Union signed four agreements on an exemption from double taxation, investment protection, and trade and scientific and technical cooperation. 1. The accord on exemption from double taxation will apply to the income taxes and resident taxes of South Korean corporations and individuals, and to the income taxes of Soviet participants. Dividend and interest income, construction projects during the first 24 months of their construction period, and patent rights will be eligible for tax exemptions or tax reductions. 2. The investment protection agreement provides that South Korean corporations operating in the Soviet Union will receive the same pay and benefits as Soviet citizens, and that both the principal and interest from all money earned in the course of normal vocational activities may be remitted outside the Soviet Union in the form of foreign exchange or foreign currency. Since these accords are retroactive to 1 January 1987, South Korean corporations such as Samsung are able to enjoy the investment protection that this agreement provides. 3. Trade agreements taking effect immediately

include the key provisions contained in the General Agreement on Tariffs and Trade (GATT). These permit South Korea to do business with the Soviet Union in the same way as the Soviet Union, a GATT non-member state, does business with GATT member states. Not only does the agreement provide for reciprocal preferential treatment on payment of tariffs and taxes, and settlement of export accounts and bilateral trade, but it also establishes the principle that trade is to be paid for in U.S. dollars or other freely convertible currencies. 4. The agreement on scientific and technical cooperation provides for the exchange of scientists, technicians, and results and information of scientific research, the operation of workshops and joint research projects, and the establishment of an official joint committee to meet once yearly. These four agreements will advance the further development of bilateral economic and trade cooperation.

Third is a steady intensification of bilateral cooperation in joint ventures. In 1987, South Korea began to shift its attention to the Soviet Far East, initiating cooperation in joint ventures at that time by setting up joint venture enterprises in the Soviet Far East. After the Soviet Union set up a free economic zone, South Korea invested heavily in free ports such as Nahodka for further cooperation in joint ventures with the Soviet Union. Not only is South Korea the "initiator" of cooperation with the Soviet Union, but it has used "imports" as a means of steadily improving its own technology, importing special Soviet techniques in certain fields. During February 1990, for example, the NEW CHINA NEWS AGENCY reported that South Korea's Kia Automobile Corporation imported Soviet cold-climate motor vehicle production technology and precision processing technology. After importing this technology, South Korea combined it with its own motor vehicle technology to produce high-performance motor vehicles suited to operation in cold climates. This holds important significance for taking over the cold-climate motor vehicle market.

South Korea's greater economic and trade cooperation with the Soviet Union is bound to intensify multilateral competition for the Soviet Far East market; it will have an important effect on China's development of trade with the Soviet Union. This effect may be come quickly to certain fields, in others it may come more slowly. Nevertheless, the competitive trend cannot be changed.

The first effect: Local and border barrier trade between the two countries in the Soviet Far Eastern market will decline. The Soviet Union has a foreign exchange shortage, but South Korea can use large amounts of idle capital both to buy cheap Soviet raw and processed materials, and to invest in enterprises jointly operated with the Soviet Union. Since the Soviet Union's investment will be mostly in the form of goods, as cooperation between South Korea and the Soviet Union develops, large quantities of premium "means-of-production" goods are bound to be put into joint-venture enterprises. Thus, the ever-decreasing amount of goods for use in local and border barrier trade with China may easily lead to an

increase in a "favorable balance" for China in Sino-Soviet barter trade, resulting in a smaller volume of trade.

The second effect: Sino-Soviet technological cooperation, particularly cooperation with the Soviet Union (local and border regions, will not likely develop very much. Cooperation on barter projects is important to the Soviet Far East market; China's labor holds a dominant position in there. The quality of China's labor is fairly low, however, most projects involve labor-intensive, low-grade cooperation. Faced with competition from countries and regions like South Korea and Japan, much of an increase is unlikely.

The third effect: A cooling of the "Sino-Soviet trade fever." Trade between China and the Soviet Union at the national level will change from barter trade to spot exchange for a decline in trade volume. This will create favorable conditions for local or border barter trade. However, with the opening of the Soviet Far East and the building of free trade zones in the Far East, neither South Korea nor Japan will lose any opportunity to use their abundant financial and technological advantages to move into this region rapidly, developing widespread economic and trade cooperation with the Soviet Union. Much evidence shows that the Soviet Union is intensely interested in capital and technology from countries and territories such as South Korea, and that it is taking action to import them, intensifying its cooperation with these countries and regions. Over the long-term, the Soviet Union is very likely to succeed in the readjustment of its internal economic structure and the "shift from the military to the civilian." Its importation of light industrial, textile, and household appliance technology will weaken the momentum toward economic and trade cooperation with China.

Of course, opportunities also exist in the midst of competition and challenges. These opportunities will exist mostly during the period in which the Soviet Union's economy is changing tracks and before its opening to capitalism has proceeded very far. We must increase our sense of urgency and our competitive mentality, and we certainly must not lose opportunities as a result of blind optimism.

First, we must establish agencies in the Far East free economic zones. It would be better for the state not to become involved, but rather to operate such agencies in the name of a province or a port of entry for the purpose of collecting information, regulating relations, and seizing opportunities to accelerate the development of economic and trade relations with the Soviet Far Eastern market.

Second, we must provide better "after-sale service" for some exported commodities, particularly for household electrical appliances. We must set up repair centers in the Soviet Union as a means of stabilizing and expanding China's household electrical appliance coverage rate in the Soviet market.

Third, we must establish economic and trade cooperation with the Soviet Union for the long haul, improving the number of grades and the level of our wares, putting the emphasis on quality and reputation. Insofar as preserving the secrecy of technology permits, we should pay attention to cooperation on some advanced technologies, and we should improve the quality of labor sent to the Soviet Union. Henceforth, every group of laborers sent out of the country should have to go through strict training. Those not meeting requirements must not be sent in order to ensure the quality of labor sent outside the country.

August Imports From Asia Figures Released

HK0310131991 Beijing CEI Database in English
3 (A1 9)

[Text] Beijing (CEI)—Following is a list showing the value of China's import from Asian countries and regions in August 1991, released by the General Administration of Customs.

Country/Region	Imports (Aug 1991)	Imports (Aug 1990)
Hong Kong	160,623	128,911
Macao	1,688	1,423
Taiwan	32,873	20,312
Japan	89,971	65,608
ASEAN Nations	32,355	30,271
Indonesia	9,077	6,468
Malaysia	7,271	9,084
The Philippines	1,013	781
Singapore	11,329	10,873
Thailand	3,665	3,063
Brunei	0	0
Bahrain	0	0
Bangladesh	0	160
Myanmar (Burma)	715	812
Korea	623	905
India	1,151	1,428
Iran	183	89
Iraq	0	1,547
Kuwait	0	525
Nepal	0	11
Oman	6,856	1,020
Pakistan	3,177	145
Qatar	733	405
Saudi Arabia	1,294	921
South Korea	10,083	5,954
Sri Lanka	0	8
Turkey	176	192
United Arab Emirates	292	0
(Unit: \$10,000)		

Technology Project Contract Signed With Italy*HK0411021491 Beijing CHINA DAILY in English
4 Nov 91 p 2*

[Article by staff reporter Zhang Yuan: "Italy Strikes Deal for Tech Imports"]

[Text] China signed a contract with an Italian company in Beijing last Saturday to purchase advanced polypropylene manufacturing technology and equipment for a large petrochemical project in Dalian, Northeast China's Liaoning Province.

Signing the contract were the China National Chemical Import and Export Corporation (Sinochem) and the Italian Tecnimont Engineering Company.

According to the contract, Tecnimont would be responsible for supplying Dalian West Pacific Petrochemical Company with technology and equipment capable of producing 60,000-tons of polypropylene a year, said Sinochem's deputy general manager, Li Fengting, at the signing ceremony.

Li emphasized that signing the contract meant the start of new long-term co-operation between the two sides in the near future.

So far, Tecnimont has succeeded in signing seven contracts with its Chinese counterparts to supply technology and equipment to seven of China's total 11 polypropylene projects.

This time, the Japanese Marubeni Corporation is also involved in the deal, according to another Sinochem official.

Dalian West Pacific Petrochemical Company is China's largest Sino-foreign petrochemical joint venture co-invested by Sinochem and French Total Company. It has a designed ability to refine 5 million tons of crude oil each year and is scheduled to be operational in 1994. Its products will mainly be sold on the world market, the official added.

Southwest Seeks More Foreign Loans*OW0311091091 Beijing XINHUA in English
0819 GMT 3 Nov 91*

[Text] Guiyang, November 3 (XINHUA)— Zhao Zhongyu, an entrepreneur in southwestern China, has long felt he has a disadvantage in doing business compared with his counterparts in China's coastal areas.

Zhao complained that enterprises in coastal areas attract large amounts of foreign investment with their preferential policies, better infrastructure and investment environment, and quick returns on investment.

By contrast, his enterprise, Panzhihua Iron and Steel Company, Ltd, the largest of its kind in southwestern

China, found it difficult to attract foreign investment because of its inconvenient traffic conditions and large start-up costs.

So Zhao and his colleagues decided in the late 1980s to turn to international commercial credit and loan institutions, even though they have higher interest rates.

In 1987 his enterprise became the first such plant in China to enter international financial market, borrowing some 210 million U.S. dollars in commercial loans from an international banking group consisting of 24 foreign banks registered in 12 countries.

Speaking today, four years after receiving their first loan, Zhao says confidently, "with the loan, we overcame our shortage of funds." the No. 4 blast furnace system has already been put into operation and the two systems of continuous casting and cold and hot rollings are producing 500,000 tons of steel plates annually. By 1993, when the expansion projects are all completed, the comprehensive production capability of the enterprise will be increased to 2.5 million tons of steel from the present 1.5 million tons.

In fact, borrowing commercial loans from abroad has become one of the major sources of funds in southwestern China in its campaign to build or expand large resource-development projects.

According to departments concerned, the foreign loans come from various sources including inter-governmental preferential loans, loans from the World Bank, Asian Development Bank and also loans from international commercial credit institutions.

Such loans from the World Bank and Japanese institutions have been used to extend highways by some 340 kilometres in Chengdu and Chongqing, as well as other projects.

And the Ertan hydroelectric power station, begun last month, will get 740 million U.S. dollars from the world bank, one of the world bank's largest loans for a single project.

Lin Ling, a senior economist and also vice director of China Development Institute, holds that the borrowing of commercial loans will help balance inefficient uses of foreign funds in China.

Analysts say that the inefficient uses of foreign funds results from the fact that most foreign investment is concentrated on the coastal areas, especially labour-intensive industries, for expected high, quick returns.

To counter this tendency the central government has in the past five years provided preferential policies to support large-scale enterprises, like Panzhihua Iron and Steel Plant, in land-locked provinces.

The Ministry of Metallurgical Industry has approved Panzhihua Iron and Steel Plant's steel export to repay the loans.

An official from the State Planning Commission revealed that some regulations are being drafted to encourage using foreign loans to develop natural resources.

According to Lin Ling, southwestern China should permit more development projects of its natural resources by foreign investors, otherwise the region will lag behind the rest of the nation in economic development and efforts to open to the outside world.

In fact, the changes are already taking place. Sichuan Province has recently drafted guidelines for foreign investors and many have shown interest, companies from the U.S.A, Japan and France have established ties with local authorities concerning development of local resources.

Beijing Reports Rise in Export Values

OW2510163691 Beijing XINHUA in English
0759 GMT 25 Oct 91

[Text] Beijing, October 24 (XINHUA)—Beijing's export value hit 10.2 billion U.S. dollars in the first three quarters of this year, according to the latest statistics from the Beijing Economic Relations and Trade Commission.

The figures showed a two percent increase over the same period of last year.

Commission officials said that Beijing's exports kept rising in the first nine months this year at an average rate of 100 million U.S. dollars per month. Clothing, textiles, machinery and electronic products were the growth leaders.

Starting this year, Beijing initiated reforms in its foreign-trade enterprises, allowing them to assume sole responsibility for their own profits or losses. This impelled them to improve their management and strive to enter more markets all over the world.

Besides markets in Hong Kong, Japan, North America and the European Economic Community, Beijing export products have found their way to markets in Southeast Asia, Australia, Eastern Europe and the Middle East this year.

Beijing's Technology Trade Picking Up

OW2610031291 Beijing XINHUA in English
0206 GMT 26 Oct 91

[Text] Beijing, October 26 (XINHUA)—Beijing's technology trade is becoming brisker, with 20,000 technological contracts signed annually in the past three years.

The contracts involved a total of one billion yuan (200 million U.S. dollars). This figure makes Beijing the top exporter of technology in China.

Beijing also sells technology to all of China's municipalities, provinces and autonomous regions, except for Taiwan Province.

Currently, there are over 100 intermediary agencies of technology exchange in Beijing, and 1,000 research institutes, universities, colleges and some large enterprises have become regular sellers of technology.

Meanwhile, a system of long-term overall cooperation has been achieved, replacing the former transfers of single items of technology.

Exports to 66 Countries, Regions in September 1991

HK3110151591 Beijing CEI Database in English 31 Oct 91

[Text] Beijing (CEI)—Following is a list showing the value of China's export to Asian countries and regions in Sep 1991, released by the General Administration of Customs:

Countries, Regions	Export (Sep 1991)	Export (Sep 1990)
Hong Kong	290,444	244,603
Macao	4,529	4,669
Taiwan	4,713	2,244
Japan	88,289	73,858
Asian Nations	32,816	28,704
Indonesia	3,790	2,569
Malaysia	4,218	2,803
The Philippines	2,695	1,133
Singapore	16,196	15,944
Thailand	5,613	6,136
Brunei	104	99
Bahrain	161	84
Bangladesh	2,042	524
Myanmar	1,530	1,812
Korea	5,003	2,926
India	623	688
Iran	1,792	491
Iraq	1	16
Kuwait	117	16
Nepal	38	307
Oman	97	62
Pakistan	4,942	5,351
Qatar	88	75
Saudi Arabia	4,096	2,790
South Korea	20,356	10,961
Sri Lanka	1,846	583
Turkey	337	275
The United Arab Emirates	4,650	1,832

(Unit: \$10,000)

Following is a list showing the value of China's exports to EEC countries in September 1991, released by the General Administration of Customs

Country	Export (Sep 1991)	Export (Sep 1990)
USA	53,312	57,984
Belgium	3,356	3,086
Denmark	1,173	1,052
Britain	6,887	4,491
FRG	17,898	12,780
France	5,446	4,606
Ireland	318	130
Italy	7,833	4,834
Luxembourg	1	5
The Netherlands	7,438	6,405
Germany	643	455
Portugal	375	297
Spain	2,054	1,063

(Unit: \$10,000)

Following is a list showing the value of exports to some European and African American countries and regions in Sep 1991, released by General Administration of Customs.

Country	Export (Sep 1991)	Export (Sep 1990)
Algeria	26	1,801
Egypt	1,488	811
Libya	124	106
Libi	103	388
Athens	4	236
Bulgaria	122	385
Czech and Slovak	186	2,354
Hungary	153	146
Poland	511	485
Romania	212	124
Austria	643	392
Finland	441	448
Soviet	600	375
Sweden	1,440	1,132
Switzerland	1,045	841
New Zealand	16,670	19,113
Yugoslavia	189	517
Argentina	551	106
Brazil	285	2,580
Chile	926	317
Colo	540	2,640
Mexico	647	649
Peru	566	21
Canada	5,023	2,583
U.S.A.	52,902	38,440
Australia	4,103	2,975
New Zealand	542	500

(Unit: \$10,000)

Foreign Investment in Guangdong Increases

92CE00004 Beijing JINGJI RIBAO in Chinese
7 Oct 91 p 2

[Article by staff reporter Liu Jie (0491 2638): "'Laowai' in Guangdong"]

[Text] Guangdong has made many achievements to be proud of in regard to reform and opening up. Establishing joint ventures and cooperative and wholly owned enterprises is one of them. This is because, first, 60 percent of all enterprises with "three sources of capital" are in Guangdong and, second, these enterprises are well run and have become an important part of Guangdong's economic construction and contributed to the "speed of Guangdong" and the "efficiency of Guangdong." Currently Guangdong sells about 50 billion yuan of commodities a year, across the Chang Jiang and Huang He, to many urban and rural areas throughout the country. It also exports across the ocean another 50 billion yuan of commodities to various areas of the world.

Since foreign-invested enterprises are playing an important role in economic construction, the people refer to them affectionately as "laowai"—meaning foreigners.

"Laowai" Win a Good Reputation on Their Own

The people's understanding of enterprises with "three sources of capital" derives from the practice of such enterprises.

Guangdong has approved over 16,000 foreign-invested enterprises, of which, about 8,000 have begun to do business. Over \$7.5 billion of foreign capital has been actually utilized, accounting for 25 percent of Guangdong's total social fixed-asset investment. The total value of products exported by enterprises with "three sources of capital" already increased from \$70 million in 1984 to \$3.7 billion in 1990, accounting for 35 percent of the total value of the export trade of Guangdong. More than 400 foreign-invested enterprises have exceeded the export value of \$1 million. Foreign-invested enterprises have become a vital new force in Guangdong's commodity export.

Some 1.2 million workers are employed by foreign-invested enterprises. Plus those employed by enterprises engaged in "the processing and assembly of imported materials and compensatory trade," the total number of employees exceeds 2 million. Foreign-invested enterprises have opened up a great avenue for Guangdong's labor employment and trained a generation of skilled new workers.

More importantly, through the establishment and running of enterprises with "three sources of capital" and of enterprises engaged in "the processing and assembly of imported materials and compensatory trade," Guangdong has brought in many new, advanced managerial experiences in addition to funds and technology. Guangdong has established in foreign-invested enterprises a set of modern management mode, such as the general

manager's responsibility system under the leadership of the board of directors, simple, highly-efficient, and flexible organizational bodies, various strict rules and regulations, cadres' employment system, workers' contract system, individual responsibility system, all-member, all-position, and all-process comprehensive quality-control system, the concept of competition, the culture of entrepreneurship, and etc.

More Coordinated With Guangdong's Economic Construction

In recent years, under the correct guidance of the government, three changes have occurred in the direction of foreign investment. The first change is from the processing industry to the basic industry. The number of investment has increased substantially in the areas of raw materials, automobile, electronics, parts of electric appliance, energy, transportation, and communications. The second change is from labor-intensive to capital- and technology-intensive industries. The number of new, hi-tech items has continued to increase. The third change is from rough processing to deep processing and coordinated systems. The number of investments concerning the coordination of products among various types of enterprises has increased. These three changes show that Guangdong's "Lianwei" are in a new stage of development. They are developing from small plants and the system of "one plant, two systems" to encompass whole plants and whole industries. The number of major investment projects has continued to increase. Foreign-invested projects have become more coordinated with Guangdong's economic development.

In the past, Guangdong had only a few outlets of the electronics industry in Guangzhou and Shantou. Now electronics enterprises have sprung up like mushrooms in Shenzhen, Huizhou, Zhuhai, Foshan, and Guangzhou. They are changing with each passing day. They have a complete selection of products. Most of their output value accounts for 40 to 50 percent of the total output value of local industries. Guangdong's electronics industry has surpassed Shanghai's. Its output value is next only to Jiangsu's. Its export volume ranks first in the country. There are three electronic products whose export value exceeds \$100 million.

Enterprises with "three sources of capital" have also given an impetus to the development of many industries including light, textile, food, building materials, and plastics industries. Among Guangdong's hot-selling export products, 92 percent of bicycles, 81 percent of radio-records, 78 percent of shoes, 77.9 percent of toys, 75 percent of color televisions, 56 percent of electronic components, 55.4 percent of clothes, 42 percent of ceiling fans, and 35 percent of cotton cloth come from enterprises with "three sources of capital." Guangdong can satisfy the needs of top-ranking hotels regarding the variety and quality of all remodeling materials such as floor, ceiling, wallpaper, sanitary equipment, and furniture. Foreign-invested enterprises have also accelerated the development of such food

industries as vegetable, fruit, hog, poultry, fish, and milk. Many top-ranking hotels have switched from imports to local products in many non-staple foodstuffs.

Ascending to a New Flight of Stairs in the "Year of Efficiency"

In the last 3 years, Guangdong approved respectively 2,000-plus, 3,000-plus, and 4,000-plus foreign-invested projects. These figures of significant gradual annual increase indicate the improvement of Guangdong's investment environment, the favorable treatment of policies, and the success of Chinese and foreign competition. They further indicate that foreign investors have made a good profit and benefitted much from investment in Guangdong. According to the statistical analysis of the authorities of Guangdong Province, over 70 percent of foreign-invested enterprises which have started operation have realized a profit and their profits are continuing to increase. Due to a stable political environment, reliable legal protection, real favorable policy treatment, inexpensive labor, land, and rent, rational profit distribution principle, and sincere and friendly cooperation of the Chinese, nine out of ten foreign investors investing in China's enterprises make a profit. However, there are also a few enterprises that have suffered losses. Main reasons for such losses are as follows: Some projects are "congenitally deficient" because their products lack marketability or are not readily marketable, or because investment managers are lay persons. The production capacity of enterprises fails to reach the original plan. Foreigners "profit" from both ends and make money by importing raw materials at high prices and exporting products at low prices. The international market has changed. Foreign investors fail to carry out the responsibility of product sell-back according to the stipulations of the contract. Or, due to the limitation of export permits, products have been stock-piled and unsellable. Main administrators and managers are ineffective, resulting in the poor management of enterprises and the confusion of management. In view of these reasons, while carrying out in-depth the activities of "quality, variety, and efficient year," both Chinese and foreign investors jointly adopted many measures to strengthen management and improve operation. Some have turned losses to profits, others have substantially reduced their deficits. Most money-losing enterprises may expect to see improvements and push management situation to yet another new level.

Responding to Anti-Dumping Charges

92C FORMOS Beijing GUOJI SHANGBAO in Chinese
6 Oct 91 p 3

[Article by Zhou Ji (0719 0613) "Several Noteworthy Issues in Responding to Anti-Dumping Charges"]

[Text] 1. Attaching importance to preliminary work

It takes four months to complete the proceeding of an anti-dumping complaint. If we can seize the opportunity to quickly adopt some necessary measures and carry out

some work with a clear orientation in mind, we may be able to nip it in the bud and make the petitioner abandon the proceeding. For instance, when learning that some European manufacturers planned to limit the import of silk commodities from China and that they considered taking an anti-dumping action against various items of silk apparel, a certain company promptly sent special groups to the importing countries to dissuade the manufacturers from limiting the import of Chinese silk products and to urge them to weigh the pros and cons in such an action. At the same time, the company also urged the manufacturers in the non-silk producing countries to wait for an opportune moment to reflect the situation to concerned local government officials, to analyze the advantages and disadvantages, and to oppose the motion to limit the import of Chinese silk products. Through timely and extensive contacts with concerned personnel, the company alleviated the contradiction involving the silk issue and brought attention to the issue that silk clothing had been sold at low prices in Europe. Consequently, it was prepared to take relevant measures. This work of preventing contradiction from becoming acute in the early stage is extremely important.

2. Unified leadership and cooperation of all areas

Only with unified leadership and concerted efforts in dealing with foreign affairs can we form a coordinated organizational system to deal with overseas anti-dumping complaints.

When an anti-dumping case occurs, domestic enterprises should not be afraid of problems. Instead, they should respond to the complaint in an organized manner and promptly organize relevant personnel to carefully answer the interrogatories. This is a very technical task. We may learn from other people's experience or ask an attorney to handle it. In the meantime, we should vigorously gather information, make up a plan of response, locate a substitute country favorable to our side, prepare defense materials, and attend the hearings. This series of work is a valuable opportunity for defending ourselves and launching counterattacks.

At the same time we should also follow the developments of overseas anti-dumping cases and collect information.

3. Hiring local attorneys

Responding to anti-dumping complaints involves much professional knowledge. We need to hire an experienced local attorney to work for us. Some enterprises think that it is expensive to hire attorneys and that they would rather find other export markets and export other commodities. This kind of thinking is one-sided. Although we need to spend a certain amount of fees to hire attorneys, judged from the long run, it pays to spend such money. If we win the case, we will save a market.

In sum, facing the tide of protectionism in foreign trade, we should strengthen the coordination between the macroeconomy of foreign trade and domestic economy, change the competitive method of "winning victory

through low prices," speed up the updating and upgrading of products, improve the quality, design, and packaging of commodities, and strive to win with quality. We should avoid or reduce the number of incidents where we are accused of dumping due to a lack of internal coordination and stop the phenomenon of competing with others by selling at lower prices.

ECONOMIC ZONES

Economic Brief on Pudong Land Lease

OH0711031291 Beijing XINHUA in English
0847 GMT 6 Nov 91

[Text] Beijing, November 6 (XINHUA)—Today's economic news briefly

Pudong Land Leased

The Pudong New Area in Shanghai signed its first land leasing contract with a Hong Kong company and a local property company on Monday. The leased land covers 5,270 sq m and the land use term was set at 50 years.

Pudong New Area Attracts More Investment

OH051101191 Beijing XINHUA in English 0758
GMT 5 Nov 91

[Text] Shanghai, November 5 (XINHUA)—The exposure of the Pudong New Area in Shanghai, which started a year ago, has been going on smoothly with investments from different sectors pouring in.

In capital construction, more than 10 billion yuan (about 1.9 billion U.S. dollars) has already been used in the 10 major projects including two major bridges across the Huangpu River and the Waigaoqiao Power Plant, said Huang Qifan, deputy director of the Pudong development office of the city government.

He said 20 Chinese and overseas financial institutions have set up branches on both the eastern and western sides of the Huangpu River, bringing in a combined registered capital of more than two billion yuan.

Huang also said that over the past year, more than 100 domestically funded companies have mushroomed in the new area which will cover a total of 350 sq km in its final stage. Nearly 100 foreign funded companies have signed letters of intent for establishing businesses in the area with a combined capital of more than 300 million U.S. dollars.

In the land development area, three real estate companies have used more than one billion yuan to obtain the land use rights of about 10 sq km for the construction of the Lujiazui financial and commercial center, Waigaoqiao free trade zone and Jingqiao export processing base.

In addition, he said, construction of three major commercial and financial mansions has started near the eastern bank of the Huangpu River. More buildings will be erected.

In the first five years of development, the total investment in infrastructure, industrial, commercial, scientific and cultural facilities is expected to reach 10 billion U.S. dollars, the official said.

The Pudong Gas Works has launched its upgrading project which is to increase its daily gas supply to two million cu m. This amount can meet the demands of the area's development in the initial stage.

According to the official, the Construction Bank of China has planned to provide loans of between 2.5 billion yuan and three billion yuan to the Pudong New Area in addition to 500 million yuan from its branches throughout the country before 1995.

Huang said that Pudong will obtain at least 15 billion yuan in loans from the domestic banks operating in Pudong during the 1991-1995 period.

Significance of Shenzhen's System Reforms Cited

92CE00924 *Guangzhou GUANGDONG SHEHUI KEJUE (SOCIAL SCIENCES IN GUANGDONG)*
in Chinese No 4, 20 Aug 91 pp 19-21

[Article by Zhang Nansheng (1728 7181 3932) and Li Kehua (2621 0344 5478): "Features and Achievements in Economic Reform of the Shenzhen Special Economic Zone [SEZ], and the Inspiration It Provides for the Intensification of System Reform." This article was a paper titled "The Position and Role of the SEZ—A Comparison of Chinese and Soviet Experiences" that Zhang Nansheng, a research fellow, and Li Kehua, an assistant research fellow, both at the Guangdong Provincial Academy of Social Sciences read at the international workshop held in Moscow from 21-23 May 1991]

[Excerpt] [passage omitted] III. The Inspiring Significance of the Shenzhen SEZ Experiences in Economic System Reform on the Overall Intensification of Shenzhen's Economic System Reform

A lot of experimentation and exploration was carried out in the economic reform of the Shenzhen SEZ before the first step in the endless process of reform was completed. The road ahead is still a very long one. Nevertheless, experiences in Shenzhen's economic reform make people aware that when a socialist country intensifies its economic system reform, it must emphasize study of the following problems:

(1) The furthering of economic system reform must have a clear-cut goal, which should be the starting point in overall planning for the intensification of reform. China's reform seeks, first of all, to transform the self-sufficient or semi-self-sufficient natural economy, or the planned product economy of monopoly contracting and

uniform allocation into a planned commodity economy operating mechanism. However, because of the existence of four features in the Shenzhen SEZ, namely the simultaneous existence of state-ownership, collective ownership, individual ownership, and Sino-foreign joint ventures, but state capitalism predominating, reliance on inland China markets for the sale of products, but selling primarily in the international market, raising capital through many channels to build the SEZ, but mostly using foreign capital, and no divergence of the economic operating mechanism from a socialist orientation, but market regulation predominating under state macro-regulation and control meant that the goal of reform of the Shenzhen SEZ had to be the building of a socialist planned market economy operating mechanism. Did this mean actions contrary to nationwide reform goals? The answer is no. This is because a socialist planned commodity economy includes socialist planned commodity production and circulation. Commodity production or circulation is not possible in the absence of markets. In this sense, a socialist planned commodity economy may be termed a socialist planned market economy. Thus, the Shenzhen SEZ had the building of a socialist planned market economy as its goal in the full and complete conduct of market-oriented reform. This experience shows that when intensifying reform, socialist countries must thoroughly study and consider a redefinition of their original goals. The SEZ's experience cannot be mechanically applied elsewhere; it can only provide us with a certain inspiration. This is to say that the intensification of reform elsewhere must have its own goals. Only when reform goals are clear can the orientation be definite and ideal results be attained.

(2) The intensification of economic reform requires the correct handling of the correlation between plan and markets, plan linked to markets flexibly rather than rigidly. Plan and market problems permeate the entire process of socialist commodity economy development. They are major problems that are unavoidable and must be accorded diligent study and conscientious practice in a commodity economy. Controversy has raged among Chinese economic academicians for many years about the correlation between plan and market. The mainstream view today is that the combination of plan and market is a blend that is like water mixed with milk, i.e., plan must rely on markets. Likewise, market regulation also has to accept direction from macroeconomic plan. We also believe that the juxtaposition between plan and market must occur at the time of the transfer of commodity use value and the realization of commodity value. No matter how they are juxtaposed, the only test that can be applied is whether the commodities are readily marketable for a realization of commodity value. Realized when? Realized where? At the time when commodity value is realized. During the Shenzhen SEZ reform, realization of commodity value relied to a great extent on the domestic market particularly in the commodity circulation field, but the focus was mostly on international markets. Practice shows more than half of

commodity value as having been realized in international markets. One might suppose this was the optimum juxtaposition of plan and market. A look at the relationship between the country as a whole and the Shenzhen SEZ shows that the country pursued a plan commodity economy while Shenzhen pursued a plan market economy. However, consideration in terms of the significance for the country as a whole shows the plan commodity economy to be preferable because, in the final analysis, Shenzhen is just an extremely tiny part of China. Further analysis based on the Shenzhen SEZ itself shows that among economic regulation methods, market regulation under state macroeconomic regulation and control was paramount, so actually this was a juxtaposition of plan (macroeconomic regulation and control) and market (market regulation). It is just that in handling the correlation between the two, the climate was fairly permissive, more flexible, and more lively. Despite the regulation of the international market, it was necessary to accept policy information and orientation, and such regulatory direction, which also held significance for plan regulation and control. Experiences in the Shenzhen SEZ tell us that maintenance of the juxtaposition between plan and market requires looking at problems with an alert eye peered toward the course of developments, paying attention to differences in time and place, and not getting bogged down in fixed and rigid patterns.

(3) Reform must be related to one's own national circumstances. One must create one's own distinctive style to build a socialist economy that matches the distinctive characteristics of one's own country, etc. Contradictions may be universal or distinctive. The universality in socialism lies in the system of public ownership and remuneration according to labor, etc. The distinctive traits in socialism are not identical in all cases. China's socialism is a socialism that possesses distinctively Chinese characteristics. The main architect of China's economic reform, Comrade Deng Xiaoping, said in "Opening Remarks to the Second CPC Party Congress" that: "The building of modernization in China must proceed from China's realities. In both revolution and construction, it is necessary to devote attention to the study and borrowing of foreign experiences. However, indiscriminately copying and imitating the experiences and the models of foreign countries has never been successful. We have had a lot of experience in this regard. Combining the universal truths of Marxism with the concrete realities of China, taking our own road in building a socialism that is distinctively Chinese is the basic conclusion we have reached as a result of a summation of long historical experience." In pursuing reform on adherence to Marxism-Leninism and Mao Zedong Thought, adherence to the people's democratic dictatorship, adherence to the socialist road, and adherence to the leadership of the party, the Shenzhen SEZ's point of departure was basically in accordance with the socialist theory of China's distinctive character or the distinctive character of China's SEZ's.

(4) In furthering reform of the economic system, the standard to be used for determining the success or failure of reforms must be whether reform is able to advance the development of socialist productivity. Why have the

Shenzhen SEZ's reforms been welcomed and supported by the mass of people? One reason is the reform goal of improving the labor productivity rate. The results of reform have greatly increased social productivity, bringing material benefits for the country, enterprises, and the people. In advancing reform in socialist countries, the standard for testing results must also be whether social productivity has been improved.

(5) One cannot be overly anxious about results in the intensification of economic system reform. It is necessary to act in a measured way. Reform is a long and daunting process. In topping the old traditional system, in particular, it is bound to run into interference from the inertia of traditional habits. It cannot be done in a short period of time. There is no ready-made experience that can be applied to reform of a socialist economic system. One must test one's way along, and if the time is too short, completion of reform will be difficult. In the Shenzhen SEZ, reform has been underway for 10 years, but things are still not perfect. Furthermore, questions exist about how to proceed in completing reform. Therefore, in the complete reform of a socialist country, it is better to encourage that reform will take a long time rather than expect that it will take a short time, the better for us to be able to solve steadily new problems that arise in the process of reform to move ahead with complete reform.

(6) The intensification of reform must be conducted in complete conformity with systems theory. Since the synchronization of wage system reform and price system reform was thought out during system reform in the Shenzhen SEZ, various obstacles to wage and price reform were reduced. In the advancing system reform, not only must wage and price reform be coordinated, but making sure that the direction of various economic system reforms is identical must also be coordinated. Furthermore, the total economic system must also be completely coordinated with the political system and the social control system (including the household registration system for the movement of skilled manpower). Only in this way can reform be fully successful.

AGRICULTURE

Statistics on Oct Cereal, Oil, Textile Imports

HK, 26/11/1991 Beijing CFI Database in English
26 Nov 91

[Text] Beijing (CFI)—Following is a list showing China's import volume of cereals and oils in October 1991 released by the General Administration of Customs.

Item	Unit	Oct 1991	Oct 1990
cereals	ton	1 370 487	839 000
oilseed	ton	1 278 997	689 111
vegetable	ton	23	60
oils	ton	78 111	47 570

animal oils and fats	ton	3,424	7,708
edible oil	ton	43,891	124,578
other oils	ton	80,153	106,164

Following is a list showing China's import volume of textiles in October 1991, according to primary statistics released by the General Administration of Customs.

Item	Unit	Oct. 1991	Oct. 1990
woolen fabrics for open-wool	ton	46,839	30,134
polyester fabrics	ton	14,778	13,473
synthetic fibers	ton	30,640	34,439
synthetic fibers yarn	ton	9,308	11,800
polyamide 66 filament	ton	1,198	701
polyester filament	ton	3,198	7,234
regenerated fibers for spinning	ton	13,378	11,049
regenerated fibers yarn	ton	44	163
rayon	ton	8	12
cotton	ton	10,563	3,636

Alternative Agricultural Investment Methods Examined

9/24/100244 Beijing ZHONGGUO NONGCUN JINGJI [CHINA'S RURAL ECONOMY] in Chinese No. 8, 31 Aug. 91 pp. 3-11

[Article by Cong Anni (0654 1344 1200) and Su Ming (5685 2494), Fiscal Science Research Institute, Ministry of Finance with help from Dong Xiafei (5516 7209 3378), Liu Hanjun (0491 0202 6511), Wang Chaoai (3769 2600 2088), and Luo Wenguang (5012 2429 0342), who took part in discussions about and presented ideas for the revision of this article: "A Study of Problems in the Distribution Relationship Between the State and the Peasants, Plus a Discussion of the Strategy for Distribution of Funds Between Industry and Agriculture and Thoughts About Policy Readjustments"]

[Excerpts] The distribution relationship between the state and the peasants is, in essence, the distribution relationship that the state creates through the use of various economic levers including fiscal policy, tax collection, prices, and subsidies, as well as the pattern of national income distribution and the regulation of the distribution of benefits to peasants resulting from state policies. In a country such as ours in which agriculture and the peasantry account for a fairly large percentage of the population and industry, the distribution relationship between the state and the peasants holds special

importance among all distribution relationships. How this distribution relationship is handled holds important strategic significance for the peasantry as well as for the development of the entire national economy.

1. Comparison and Selection of a Strategy for the Distribution of Funds Between Industry and Agriculture

Study of the distribution relationship between the state and the peasantry requires, first of all, a correct understanding of the strategy for the distribution of funds between industry and agriculture. This is a primary prerequisite in straightening out the distribution relationship. A very great controversy exists between theoreticians and policymakers at the present time as to how to determine realistically the environment for development of the national economy in the near and medium term in order to select a reasonable strategy for the distribution of funds between industry and agriculture. Briefly, the following several proposals and tendencies exist.

(1) *Complete Readjustment of the National Income Distribution Pattern, Implementing a Funds Distribution Strategy in Which Industry Nurtures Agriculture.* By this is meant a decision to readjust the prevailing national income distribution pattern because of the difficulties faced in development of the country's agriculture, giving first place to agriculture in the priority allocation of resources and funds, putting into effect a funds distribution strategy whereby large industrial accumulations subsidize agriculture. This is one way to readjust the distribution relationship between the state and the peasantry to bring about a fairly rapid rise in the level of agricultural productivity and to reaccelerate industrial development once agriculture has been developed. Although such strategic thinking faces up to the seriousness of the long term drag on industry of agriculture in China, and looks forward to solving the problem of coordinated development of industry by strengthening the weak link of agriculture, nevertheless, the following several problems exist in this scenario as follows: 1) The too great a tilt of resources toward agriculture is divorced from national realities. Estimates call for an investment of as much as 1 trillion yuan to modernize the country's agriculture, but a shortage of resources, a lack of capital, a large population, and a weak foundation are the basic circumstances prevailing in the country at the present stage. Given these conditions, the concentration of limited funds for use in the priority development of agriculture could not bring about an economic take-off that would place China in the ranks of developed countries within a short period of time. In fact, from the very outset China did not take the traditional or the classic road of industrialization in concentrating the use of limited production resources. During the period immediately following founding of the People's Republic, the party and government chose an economic strategy to

accelerate progress in industrialization and steady development of agriculture. By using the procurement of agricultural products at low prices, they indirectly obtained national income from agriculture that they concentrated for use in the building of industry. Within the short period of several decades, they built an independent and complete industrial system, finishing a process that it took capitalist countries between one and a half to two centuries to finish, and also largely solved the problem of sufficient food and clothing for a population of 1.1 billion at the same time. Practice has demonstrated the funds distribution strategy to have been a correct one that assured the key elements for realizing strategic economic goals. 2) China's economy has not yet developed to the stage where capital accumulations can provide large scale support to agriculture. Some research findings show that the distribution of capital between industry and agriculture usually goes through four stages, namely, agriculture's subsidization of industry, agriculture and industry subsidizing each other, industry subsidizing agriculture, and neither industry nor agriculture subsidizing each other. As a result of the overall limitations of various factors in the development of the economy, it takes one or two centuries of protracted economic growth to get through the first to the third stages. International experience shows that in some western countries industry's large scale support for agriculture was during the period when industrialization was fairly well developed and marked changes had taken place in the national economic structure. Such was largely the case in the United States during the 1920's when GNP was already more than \$1,000 per capita, steel output was 0.57 tons per capita, crude oil output was 1.3 tons per capita, and a substantial foundation was in being for the rubber and chemical industries. It was also during the mid-1920's that the percentage to which primary industries contributed to national income and the percentage of the population employed in primary industries fell to 16.6 and 46 percent respectively. The general reason why industrialized countries began with industry subsidizing agriculture was that the increase in the urban employed population sharply increased the demand for agricultural products. Because investment in agriculture had been neglected for a long time, and large numbers of the workforce went into nonagricultural pursuits, problems arose in supplying enough agricultural products to meet demand. However, the situation in China today is as follows. Although a fairly complete system has begun to take shape after several decades of building, in terms of the economic development stage, industry remains at the beginning of the intermediate development stage. It still does not have a large amount of economic strength available to subsidize agriculture. Were the funds of the industrial sector to be forcibly taken for use as agricultural accumulations, agricultural production might benefit for a time, but in today's world in which agricultural production relies increasingly on various industrial goods that support agriculture, it would be impossible for agriculture to sustain long-term, stable development. 3) Today when the nation needs huge sums for key

construction, the national treasury has to stagger investment peaks. At the present time, when the entire nation is facing real pressures in the form of unbalanced industrial development and inadequate basic facilities, thinking about the task of invigorating the entire economy including agriculture through more building of basic industries and basic facilities such as energy, transportation, and raw and processed materials is extremely urgent. In a situation in which a high peak in investment coincides with a dearth of national wealth, government financial expenditures become a matter of priorities. The overall state of the national economy today suggests that suitable increase of investment in agriculture is entirely necessary, but the state is unable to make an overly large investment in agriculture. It can only look after key projects first. This is because Chinese society is already in the preliminary stage of industrialization in which the chain of industries is steadily expanding and indirect links among industries are fairly complex. During the process of a change to a higher level in the industrial structure, the weakness of any industry, particularly a basic industry, will become a bottleneck that impedes the smooth operation of the entire national economy. Therefore, in view of the country's basic circumstances and the reality of social and economic development, the choice of a financial strategy in which industry subsidizes agriculture is not consistent with reality. To do so would result not only in a slowing of the modernization of industry, but would also work against the modernization of agriculture.

(2) Conduct of a Financial Strategy Whereby Agricultural Accumulations Subsidize Industry To Bolster the Advance of Industry. By this is meant facing up to the long-term shortage of capital. So long as the availability of capital is limited and the supply of labor is plentiful, the wherewithal needed for production will tilt in favor of industry with more agricultural accumulations being used to hasten the development of industry. In this way, large amounts of surplus agricultural labor can be soaked up for a decrease in pressures within agriculture, with agriculture thereby gaining an opportunity for renewed development. Such a strategic line of thinking seems to be a choice that stems from the country's circumstances; however, the first problem confronted is that it conflicts with the development law that preliminary industrialization has been realized in China and that the country is marching toward a mature industrialized society, particularly with the inherent need for large industrial development. First, the headlong use of capital to develop industry will create a shrinking of agriculture resulting in the inability of agriculture to support the huge industrial system. Following this line of thinking, before a high degree of industrial development is attained, agriculture is unable to escape across the threshold of traditional production methods. This means there will be no hope for an increase in the supply of agricultural products during this period. Moreover, if the agricultural problem is not handled correctly, this may give rise to mistakes that affect the whole situation. A crisis in agriculture will spread through the industrial chain to

inhibit industrial development, ultimately plunging the national economy into a predicament from which it will be difficult to extricate itself. Second, continued use of agriculture as the main source of accumulations for the national economy is also not in keeping with the phasing of the country's social development. An analysis of some of the main norms on the basis of international experience shows that the country's industrialization has produced preliminary capital accumulations and has begun to enter the beginning of the intermediate stage of development, and that agriculture is in the process of changing from traditional agriculture to modern agriculture. In an overall sense, industry and agriculture are developing in tandem. In terms of socioeconomic development stages, the correlation between industry and agriculture in the distribution of funds in China is basically that of the transition from the first to the second stage, i.e., it is going from the period when agriculture subsidizes industry somewhat to the period when agriculture and industry subsidize each other. We have made some preliminary extrapolations that show that the period since the founding of the People's Republic may be divided into two stages in terms of the distribution of national income from agriculture. This includes the first stage from 1950 through 1978, which was prior to reform. During this period national income from agriculture exhibited a net outflow at the rate of 15.5 billion yuan annually.¹ This was an 18.2 percent outflow rate.² The period 1979 through 1989 following reform marked the second stage. During this period, the outflow of national income from agriculture averaged 6.99 billion yuan per year.³ This was a 3.1 percent outflow rate. This shows that with progress in industrialization, industry has preliminarily mustered a self-accumulation and self-development capability, and agriculture has preliminarily reduced its burden, changing to a position of being a major vector in the accumulation of industrialization funds. Had the real situation been disregarded during this period, the weak link in the national economy that agriculture was continuing to be called upon as the main source of accumulations for industrial development, that would clearly not have been consistent with the inherent laws of social progress and economic development. Third, because of the limitations of its level of productivity, China's agriculture lacks the ability to provide large accumulations to industry. Increase in the labor productivity rate is slower in agriculture than in industry, and marginal costs in agriculture continually escalate. National income from agriculture as a portion of total national income steadily declines. Since the founding of the People's Republic, the speed of increase in income from agriculture figured in constant prices has been lower than the speed of increase for national income as a whole. During the period 1952-1989, national income as a whole increased at a 6.8 percent rate while national income from agriculture showed a 3 percent rate of increase. Extrapolations on this basis show that by the end of the present century, national income from agriculture as a percentage of national income as a whole will decline from the present 32 percent to 21 percent. Moreover, during the period

1952-1989, approximately 70 percent of the expenditure of national income was for consumption, peasant consumption as a percentage of total consumption falling from 62 to 52 percent. This period shows that the comparison coefficient between agricultural and industrial consumption in the gap between urban and rural consumption remained substantially at approximately 1 to 2.5. Preliminary estimates show that if the present 1 to 2.4 comparison coefficient between agriculture and industry is maintained, by the year 2000 peasant consumption as a percentage of total national income will be higher than 35 percent, which is to say that at that time all national income from agriculture will be retained by the peasants and will still not be enough to satisfy the peasants' needs for consumption funds. If agriculture is to be required to provide more accumulations for industry, the national income remaining for the peasants will increase for a possible widening of the comparison coefficient between agricultural and industrial consumption. This is not consistent with socialist principles. Fourth, China is presently facing a serious problem of insufficient reserve strength for the development of agriculture. There is an urgent need for funds for the long-term building of agriculture. Generally speaking, long-term steady growth of agricultural products depends on the steady increase in long-term investment. After analyzing the relationship between agriculture and economic development in 88 countries of the world, Oxford University economist Juan [7035] A. Molite [3459 0448 3676] reached the conclusion that for each 1 percent increase in per capita income, reinvestment in agriculture of the total value of agricultural products must increase 0.25 percent in order to maintain steady development of agriculture. In addition, according to the internationally renowned Qiannah [6929 4780 0448] - Saierkun [1049 1422 2492] Major Country model, in countries in which GNP was moving from \$300 to \$1,200, investment in fixed agricultural assets had to be maintained at a minimum of 10 percent per year. At the present time, China happens to be at the beginning of this period. By contrast with this model however, China's direct investment in agriculture has declined markedly in recent years. The shortage of basic facilities, the slow replacement of fixed assets, and the very low organic makeup have seriously impaired the development of agriculture. Furthermore, one of the main sources of the longstanding weakness in basic sectors such as agriculture is the fairly large degree of deviation in the structure of investment in fixed assets, which limits to a very large degree the orientation and structure of increased investment, causing very great difficulties for the country's optimization of the economic structure. Therefore, from the angle of better building of the agricultural foundation, a funds distribution strategy whereby agricultural accumulations subsidize industry is not practical.

(3) A Distribution Pattern in Which Industrial and Agricultural Funds Remain in Rough Balance To Promote the Coordinated Development of the National Economy. We believe that the present and future funds distribution

strategy must be consistent with the major orientation of coordinated development of the industrial and agricultural economy. An ideal choice is a capital distribution policy that helps transform traditional agricultural production methods by gradually importing key modern production elements into the agricultural system in a coordinated way to improve agriculture's basic position. At the same time, the choice should help improve the building of basic facilities in the nation's industry to bring about a rationalization of the industrial structure, thereby laying a solid foundation for further development of the national economy during the next century. Given the country's limited amount of capital, how can needs in the above two regards be satisfied simultaneously? This requires that we first make a scientific and dispassionate judgment about the overall pattern of the direction of flow of industrial and agricultural funds, using an overall clarification of the total as a basis for drawing up a rational distribution policy. The following two points must be made clear about the present and future state of distribution.

First, post-reform readjustment of the national income distribution policy has preliminarily produced the maintenance of a general balance in the pattern of distribution of industrial and agricultural funds. Since reform, the state has used increases in prices of agricultural products, tax reductions, and price subsidies for the agricultural means of production as means of readjusting its policy of distributing funds to agriculture. This has injected large amounts of capital into the agricultural sector. Statistics show that during the period 1979-1988, the state spent 369.5 billion yuan either directly or indirectly for the support of agriculture, and that the peasants' net annual benefit was approximately 37 billion yuan annually. During these years when the state was extremely hard-up financially, one might say that the state's total distribution of funds to agriculture was appreciable. Readjustment of national income distribution policy brought about a major change in the distribution relation of "taker" and "receiver" between the state and the peasants. Agricultural citizen income distribution changed from the large outflow prior to reform to the present light outflow; the extent of outflow declining from 18.2 percent before reform to 3.1 percent. Without doubt, this readjustment of capital distribution policy is consistent with the phasing of the country's socioeconomic development, and it is also a major element in the spectacular advances gained in China's agriculture since reform.

Second, the largely balanced pattern of distribution of funds between industry and agriculture that has now been shaped will continue for a long time. The trend of developments suggest that at least until such time as the goal of a "well-off" economy is attained, the foregoing pattern of general balance in the distribution of funds will not change greatly. This is because of the following: (1) The distribution pattern of general balance in the distribution of funds between agriculture and industry is consistent with objective requirements of the country's

new economic operating mechanism. With the steady intensification of economic system reform, very great changes occurred in the country's economic operating mechanism, the trend of its development gradually shifting to the new path of a planned commodity economy. This new mechanism has two key connotations, one of which is that all industries in the national economy want to form an economic relationship in which equal exchange is inherent, the key to which lies in treating agriculture as a commodity industry. The second connotation is that the state's macroeconomic regulation (including the macroeconomic regulation of agriculture) must comprehensively apply both administrative and economic methods. Particularly needed is greater use of the regulatory role of the laws of value. The characteristics of the foregoing new economic operating mechanism determine that the state use a new capital operating method for the development of agriculture for a change in the former pattern of a large outflow of national income from agriculture that has endured for a long time, thereby increasing agriculture's self-development and self-accumulation capabilities. This is an important assurance for realization of strategic objectives in agriculture. (2) Maintenance of a generally balanced pattern of funds distribution between industry and agriculture depends on the actual level of economic development. Following the Third Plenary Session of the 11th Party Central Committee, although the compensation of value that agriculture obtained from the national economy increased markedly, agriculture continued to face a lack of reserve strength for the development of production, and large amounts of surplus labor needed to be shifted out of agriculture. Unless these problems are solved, the entry into the industrial sector of tens of thousands of agricultural laborers having limited funds will be found, in an overall sense, to lower the organic make-up of the entire industrial sector to the detriment of the whole country's economic returns. Therefore, solution to the problems of building basic facilities in agriculture, and transferring surplus labor out of agriculture must, in the final analysis, be achieved by improving agriculture's own labor productivity rate in order to improve agriculture's internal ability to accumulate funds. Simultaneously, despite the shift to large industries themselves as the main source of accumulations for industrialization in recent years, since industrialization was launched during the early period following founding of the People's Republic when national income was \$50 per capita, more than 85 percent of which was for agricultural labor, in addition to the many limitations that a large population, scant resources, and uneven economic development pose, China's industrial development exhibits the characteristics of an out-in-front starting point, rapidly changing industry, and asynchronous flow of the elements of production. Numerous deep-seated problems damaging to the long-range development of industry are in urgent need of solution. Therefore, for the near and the medium term, industry can neither allocate money to subsidize agriculture, nor can agriculture easily provide more accumulations to

support industry. The pattern of distribution of funds between industry and agriculture can only be kept in general balance.

For these reasons, we proposed that for the near and the medium term, macroeconomic distribution policies must clearly establish a distribution pattern of overall balance in the distribution of funds between agriculture and industry in order to advance the coordinated development of agriculture, to complete the enormous task of structural readjustment, and to bolster the basic industries (including agriculture and basic industry) that the country must urgently support. Continuation of this funds distribution strategy is the primary prerequisite for straightening out the distribution relationship between the state and the peasants, and it is also a realistic choice that is consistent with China's current and future socioeconomic development. [passage omitted]

3. Policy Ideas for Straightening Out Distribution Relationships Between the State and the Peasants

The straightening out of distribution relationships between the state and the peasantry affects readjustment of the pattern of benefits for cities and the countryside, and also affects the allocation of social resources between industry and agriculture. Therefore, there must be a general clarification of funds distribution strategy for the creation of an overall environment for stable economic development. In addition, further intensification of system reform is needed to readjust distribution policy.

(1) Formulation of a Rational Economic Development Strategy that Assures the Coordinated Development of Industry and Agriculture

A stable and coordinated economic development strategy is an overall basic requirement for straightening out the distribution relationship between the state and the peasantry.

1. During the 1990's a 1:2 speed of growth ratio must be maintained between agriculture and industry. An analysis of 32 countries in the world in which national income is \$1,000 per capita shows that during the stage when national income was between \$300 and \$700 per capita, the growth rate between industry and agriculture was generally maintained at 2.5:1. In China, however, the growth rate between industry and agriculture during the period 1953-1988 was 3.2:1, a ratio markedly higher than the world average. Inasmuch as China is still not powerful and has a large amount of surplus labor, and since a large shortfall exists between agricultural product supply and demand, we believe that the future speed of industrial development should not be set too high. During the Eighth and Ninth Five-Year Plan periods, the ratio between agricultural and industrial speed of growth should be generally maintained at approximately 1:2. If the speed of industrial growth is too high, a situation will result in which industry tramples agriculture. Calculations based on realization of the "well-off" goal of the amount of principal agricultural products that will be

needed suggest that the speed of agricultural development during this period should be between 3.5 and 4 percent; thus, the speed of industrial growth during this same period must be maintained at between 7 and 8 percent. One of the main points in future economic development strategy is maintenance of a sensible speed of industrial and agricultural development, gradually guiding agriculture and industry away from unbalanced growth in the direction of balanced growth. This is an important prerequisite for future realization of a change in industrial and agricultural funds distribution strategy.

2. Right now a decline in the speed of growth of processing and manufacturing industries is called for. During the period of improving the economic environment and rectifying the economic order, the most glaring problem in transforming the structure and improving economic returns is the need to reduce the speed of growth of processing industries. In addition, good handling of the material benefit relationship between the central government and local governments, and between the state and the peasantry should form the basis for earnest efforts to improve macroeconomic plan guidance for the siting of local industries and for township and town enterprises.

3. Greater financial and material support for industries that produce goods used in agriculture. Experience in the economic development of all countries as well as our own show that the greater the development of agriculture, the greater the reliance for support in the form of industrial materials and technology. However, the scale and efficiency with which China provides agriculture with these key items is still a far way from reaching the level needed for changing traditional agriculture in a fundamental way. Preliminary estimates show that by 2000, China will have to produce 1 trillion jin of grain requiring the following modern key items: Approximately 150 million tons of chemical fertilizer, 1.2 million tons of plastic sheeting for agricultural use, between 80 billion and 85 billion kilowatt hours of electricity, 480 million horsepower of farm machines, and an attendant supply of agricultural techniques. However, the existing size of industries that make products for agriculture and the agricultural technology support system are both a long way from being able to meet the aforementioned needs. The shortfall is very great. This necessitates readjustment of the industrial inventory structure, resources saved through cutbacks in the processing industry sector being shifted to industries that make goods for agricultural use. At the same time, the state must devote attention to the building of industries that produce goods for agricultural use when planning how increased investment will be apportioned, putting more investment into modern materials and techniques for agriculture, thereby creating a fine material and technical foundation for the development of agriculture.

(2) Readjustment of Individual Income Distribution Policy To Bring City and Country Residents' Income and Consumption Levels More in Line With Each Other

Because of the fairly large difference in the labor productivity rates of industry and agriculture, city and country residents' income and consumption cannot be at the same level for a long time to come. One of the important tasks of macroeconomic distribution policy is to assure that the gap between city and country residents' income and consumption does not fluctuate too greatly, much less tend to widen. On the basis of this principle as well as because of the problems faced in the way in which national income is distributed at the present time, the country's individual income distribution policy requires that the following two points be emphasized:

1. Control of city residents' rate of income increased to prevent a widening of the consumption gap between cities and the countryside resulting from city residents' greater consumption. In view of the imbalance between national accumulation and consumption and the country's straitened financial circumstances of recent years, more of future industrial increases in national income must be concentrated in the national treasury for use in the building of key and basic facilities. Staff member and worker wage increases must not exceed the rate of increase in the labor productivity rate. At the present time, various nonwage income of staff members and workers paid in currency or in kind is in urgent need of restructuring. In addition, along with reform should come a gradual decrease in various subsidies of a welfare nature that the state provide urban staff members and workers.

2. Maintenance of the momentum of steady increase in peasant income to improve the peasants' standards of living and consumption. Since industry cannot obligate more money to subsidize agriculture at the present time, any steps toward future agricultural product price rises cannot be taken too rapidly. Therefore, in the final analysis, increase in peasants' income and consumption levels will have to rely on the accumulation of funds from within agriculture. Comprehensive advances will have to be made in agricultural and rural production, the peasant standard of living raised by raising the rural level of production. In addition, major efforts will have to be made to develop township and town enterprises as effective means of increasing peasant income, shifting surplus labor out of agriculture, and increasing overall rural productivity.

(3) Readjustment of Farm Product Prices in Reform of the Grain Procurement and Marketing System

The current situation shows that reform of the price system and the procurement and marketing system is imperative. Actions to be taken are as follows:

1. Planned readjustment of farm product procurement prices. Readjustment of procurement prices should emphasize the building of a rational price ratio relationship based on grain prices as a means of avoiding round after round of price increases and price ratio regressions. Readjustment of grain prices cannot be done in one fell swoop at the present time. It will take about three years

before there will be any substantial change in the currently overly low prices paid for grain. This change should form the basis for setting procurement prices for cotton, sugar-bearing crops, and live hogs using the fairly fair internal price ratios among major farm products that have grown up over the years (such as a ratio of 1:8 between grain and cotton, 1:2.5 between grain and edible oil, and 1:5.5 between grain and hogs). In addition, the overall level of farm product procurement prices must be addressed in terms of total quantity limitations for each. This will require the spelling out of two major policy limits, one of which is that overall price levels have to be raised annually, and the other is that account has to be taken of the state's financial capabilities as well as the farm product supply and demand situation.

2. Continued reform of the farm product procurement system. The change from the system of monopoly procurement and assigned procurement to state fixed procurement was a major reform in the farm product procurement and marketing system. It was an important step in the direction of a planned commodity economy. The main task today is to do a good job of perfecting the fixed procurement system. First, the total amount of grain procured at fixed prices has to be kept stable; there can be no increase. Second is a reduction in local additions over and above the state fixed procurement base figure. The current local 10 percent addition can be reduced to around 5 percent. Third, once fixed grain procurement quotas have been fulfilled, all restraints should truly be removed from grain dealings, market regulation practiced. A good job should be done in running pilot projects on grain wholesale exchange markets, experiences summarized.

3. A decision should be made to reform the existing grain marketing system. In view of the very great changes that have taken place in urban residents' consumption and earnings situations, conditions exist for earliest organization and implementation of reforms. Many provinces and municipalities (such as Hainan, Guangdong, and Yulin Prefecture in Guangxi) have used reform of the grain marketing system as a means of reducing government financial subsidies without causing social shock. Results have truly been quite remarkable. The experiences of these areas should be used for reference in conjunction with wage reform. While guaranteeing no lowering of the standard of living of residents in the country's far-flung cities and countryside, reform of the marketing system should be accelerated to solve the problem of inversion between procurement and sale prices.

(4) Multilevel Increase in Investment in Agriculture for the Building of a Mechanism for Steady Increase of Investment in Agriculture

1. Ensuring government financial investment in agriculture. Government financial investment in agriculture is the main way in which government supports agriculture.

Its investment of capital not only changes the distribution of national income between cities and the countryside, but more importantly this investment of capital represents the orientation of state investment policy in the development of agriculture. Since national income distribution policy deviated during the Sixth and Seventh Five-Year Plans, government should now correspondingly widen the scale of its investment in agriculture. Most of the increase in government expenditures for the support of agriculture should be used for capital construction, a stable source of funds provided for medium- and large-scale agricultural capital construction and updating. Additionally, some of the medium and short range dedicated funds provided during the Sixth and Seventh Five-Year Plans should be retained for the steady augmentation and expansion of agricultural development funds to improve control and increase returns from the use of funds. Adequate attention should also be paid to the development of government credit.

2. Active channeling of local government investment in agriculture. Inasmuch as some governments take a short-term view and tend toward a quick return, the state must adopt organizational measures to set limits on local government functions that spell out the extent to which local governments are to provide financial support for agriculture, local government behavior thereby being synonymous with central government goals. One thing to be done is to specify how local discretionary financial resources are to be used so that a substantial percentage will be used for agriculture. A second thing to be done is for the central government treasury to channel local investment through the way it makes payments and the direction of its investment. For example, the central government can obligate some funds for the purpose of providing guidance, attracting an increase in the percentage of local financial resources used in agriculture, particularly in the production of grain, cotton, and oil-bearing crops.

3. Readjustment of the investment mix for a strategic shift in investment emphasis. The existing control system and the distribution of social financial resources suggest that any substantial change in the amount of national government investment is unlikely, however, increase in investment must be done through an adjustment of the investment mix in accordance with state industrial policy and local policy. Henceforth, central government financial support for agriculture and investment in capital construction in agriculture must gradually tilt in the direction of grain, cotton, and oil-bearing crops, and tilt as well toward the central and western parts of the country. At the same time, local government finance should make a corresponding synchronous tilt. 4. Encourage peasants to play their role as the principal investors in agriculture, thereby spurring the rural collective economy's increased investment in agriculture. Policies should be used to channel and attract increased peasant investment in agriculture. It is particularly necessary to build and improve the labor accumulations system to increase labor input to make fullest advantage

of plentiful rural labor resources for steady improvement of agricultural production conditions. As one of the main tiers in the two-tier rural farming system, the organizing role, the service function, and the investment function of the collective economy in agricultural production may not be weakened. The power of the collective economy must be increased to increase the collective economy's investment in agriculture. In places in which the level of development of township and town enterprises is fairly high, the feasible and effective system of "using industry to assist agriculture," and "using industry to build agriculture" should be continued.

5. Readjustment of the bank credit structure to ensure rational increase in the amount of rural credit. As the rural commodity economy develops, the role of credit funds in supporting the agricultural financial system is also becoming increasingly strong. The situation in some developed countries today suggests that credit funds account for between 30 and 40 percent of total funds provided to agriculture, but in China only approximately 10 percent is the rule today. This is an important reason for the shortfall in the total amount of funds for agriculture in China. In the future macroeconomic regulation and control of state financing, agricultural credit should be given an important position in order to ensure the steady growth of agricultural credit. Rural savings derive largely from the peasants, and they must be used largely for the development of agricultural production. Henceforth, an overwhelming majority of rural savings, at least 80 percent or more, should be guaranteed for use in agriculture, the outflow of rural funds prevented. Interest rate policy should reflect the requirements of state industrial policy. In most countries of the world, agricultural credit universally promotes a low interest preferential policy. In France, for example, agricultural credit interest is generally between 6 and 8 percent, and in the United States it is generally 5 percent. Low interest rates for agricultural loans help expand agricultural credit while simultaneously helping reduce the burdens of peasant households. In China today, no difference exists between agricultural loan interest rates and interest rates for other bank loans. Henceforth, a low interest policy should be applied to agricultural credit.

(5) Stabilization of Peasant Tax Burdens in the Restructuring of Social Burdens

Since no substantial change is likely to be made in prices of farm products in the near future, there will be no substantial increase in peasant income. Grain growing peasants who bear most of the agricultural tax burden, in particular, will find themselves in an unfavorable position relative to other rural trades and industries at the present time; thus, a policy of stabilizing burdens must be pursued with regard to the agricultural tax during the Eighth Five-Year Plan. This will help steady the peasants' feelings about production. In addition, a diligent examination and readjustment of present social burdens must be conducted. The key problem is to standardize and systematize the peasants' social burdens, spelling out the extent of their burden and control methods. We

envision that in addition to taxes, future peasant burdens will consist mostly of rural collective withholdings and township overall financing fees. These two fees should not total more than 7 percent of peasant net income, and their collection, supervision, and use should be the responsibility of rural and township level financial units. Peasants must have the right to refuse all other assessments and pooling of funds.

In summary, straightening out the relationship distribution between the state and peasants requires complete reform and the adoption of comprehensive policy readjustment measures. Only in this way can the pattern of distribution of benefits in cities and the countryside be made fair, and only in this way can the country's agriculture steadily develop in the operation of the national economy.

Footnotes

1. During the period 1950-1978, the net outflow of national income from agriculture totaled 448.1 billion yuan. 523.9 billion yuan of it as a result of the price scissors between industrial and agricultural products plus 81.9 billion in tax revenues - government payments to agriculture of 157.7 billion yuan.

2. The net outflow rate is the difference between the net amount of outflow and national income from agriculture.

3. During the years 1979 - 1988, the net outflow of national income from agriculture totaled 69.9 billion yuan of it as a result of the price scissors between industrial and agricultural products plus tax revenues of 39.4 billion yuan—a net benefit to the peasants resulting from a readjustment of agricultural product prices - 150.8 billion yuan of government payments to peasants—29.9 billion yuan for the subsidization of agricultural means of production prices.

Agriculture Ministry Issues Mechanization Outline

92CE0097A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 14 Sep 91 p 1

[Article by Zhou Zhihong, Guo Haihong: "Boosting Land Output, Labor Productivity and Resources Utilization"]

[Text] Recently, the Ministry of Agriculture formulated an "Outline of National Agricultural Mechanization Development." The "Outline" put forward general targets... present projects of regional agricultural mechanization development during the Eighth Five-Year Plan.

The general targets of regional agricultural mechanization development during the Eighth Five-Year Plan are to bring the advantage and function of agricultural mechanization into full play; improve thoroughly agricultural production conditions to increase land output,

labor productivity and resource utilization, promote the stable and coordinate development of agricultural production and the prosperity of the rural economy. The projects of regional agricultural mechanization development during the Eighth Five-Year Plan are:

Mechanized cultivation of barren lands suitable for agriculture. During the Eighth Five-Year Plan and 10-Year Program, 50 million mu of barren land will be cultivated. The key areas are scattered over the Huang-huai, Sanjiang and Songliao plains with plenty of barren land resources, fertile soil and good output. During the Eighth Five-Year Plan, 10 million mu of barren lands suitable for agriculture will be cultivated through mechanization. The advantages of agricultural mechanical stations and other service systems will be promoted and comprehensively developed. Investment funds will use the principle of mainly raising funds independently with state assistance subsidiary to attract and mobilize various funds in rural areas.

After accomplishing this project, the cultivated area will increase 10 million mu, which will increase grain output by about 2 million tons annually.

Transforming middle and low output dry lands through mechanization. Tapping the grain production potential of dry lands is the key to increase grain output. More than 200 million mu of dry land in 390 counties in the north and northwest will use comprehensive farming techniques to transform middle and low output dry lands such as intensive cultivation, returning compost to the fields, machine sowing and plant cover, the average increase per mu of grain will be 58.25 kg.

During the Eighth Five-Year Plan period, 30 million mu of middle and low output dry lands will be transformed. After accomplishing this project, grain output will increase more than 1.7 billion kg.

Transforming middle and low output water damaged lands through mechanization. In southern China, there are 100 million mu of middle and low output lands with a high level of underground water but ground drainage difficulty. Practice has proven that making ditches on ground and underground, digging drainage tunnels, burying pipes and returning compost to fields, are effective ways to reducing hidden water, draining floodwater and enhancing soil fertility. Machinery operation can speed up the process, save labor force and reduce cost to achieve better economic efficiency. During the Eighth Five-Year Plan period, 10 million mu of middle and low output lands will be transformed. It is estimated that grain output will increase 1 billion kg, and obtain over 2.2 billion yuan of comprehensive economic benefits.

Comprehensive mechanized techniques to increase grain output. Comprehensive techniques to increase rice, wheat and corn production, the major crops in China are to bring the advantage of machinery into full play, and conduct comprehensive mechanized development, and make reasonable, scientific complete sets of equipment based on the existing foundation. This plan will be

applied to 45 million mu in Shandong, Liaoning and other major commodity grain producing provinces. After finishing this project, grain output will increase 1.7 billion kg. annually, and earn 1.2 billion yuan of benefits annually. Comprehensive techniques to increase wheat and corn production include machine ploughing and sowing, intensively spreading chemical fertilizers, and other necessary techniques. The mechanization level will reach 90 percent, and the average increase per mu will exceed 40 kg.

Comprehensive mechanized development projects for tea. The project will cover Jiangsu, Zhejiang, Anhui and other tea-producing provinces. Projects mainly include expanding the capacity of equipment for the initial tea-making process, promoting mechanized tea-making, speeding up mechanized management of tea farms, generally spreading and using new energy-saving tea-making equipment. During the Eighth Five-Year Plan and Ninth Five-Year Plan, 100 and 200 joint refined processing factories with a capacity of producing 10 tons of tea annually will be established, and green tea output will be developed. Total investment will reach 1.75 billion yuan.

Projects for mechanized development of water shortage grass fields. This project will be implemented in Inner Mongolia, Xinjiang, Qinghai and Sichuan. The project will include machine reaping, baling, transporting, storing, baling and storing fall grass, and fine processing dry grass. Total investment will reach 111 million yuan. Annually 3 million mu of grass fields will be developed, and a capacity of reaping and storing 300 million kg. of grass.

Shaanxi Expects Good Autumn Harvest

92CE0137A Xian SHAANXI RIBAO in Chinese
6 Oct 91 p 1

[Article by Liu Zhiyong (0491 1807 0516): "Shaanxi Can Expect Good Autumn Harvest. It Is Forecast That Grain Production for the Whole Year Could Reach 10.5 Million Tons"]

[Text] Based on a survey of 444 village groups in 37 counties conducted in early September by the Shaanxi Provincial Agricultural Inspection Team, the gross autumn grain harvest for Shaanxi could reach 5.5 million tons this year, second only to last year's record high. Per mu yield is 160.9 kg. down 2.2 percent from last year.

Looking at local situations, production rose in three southern districts about 15 percent, but fell more than 25 percent in two northern districts and in Tongchuan City. In the central Shaanxi plain, production was unchanged from last year, being up in some places and down in others. Production rose in the irrigated areas of the plain, but dropped in the dry plains north of the Wei River. Production fell in the east, and rose slightly in the central and western areas.

Also, based on a sampling survey by the Shaanxi Provincial Investigation Team, this year Shaanxi's total grain production might reach 10.25 to 10.5 million tons (10.025 to 10.5 billion kg), or about 2 to 4 percent less than last year.

Sichuan Cotton Purchasing Proceeds at Good Pace

92CE0137B Chengdu SICHUAN RIBAO in Chinese
27 Oct 91 p 1

[Article by You Huiqing (3266 3499 3237): "As of 20 October, Cotton Buying Had Increased 21.78 Million Kg Over the Same Period Last Year"]

[Text] At the height of autumn, white cotton covers the earth like snow. As of 20 October, Sichuan's supply and marketing cooperatives had purchased 77.25 million kg of cotton, an increase of 21.78 million kg over the same period last year, fulfilled 77 percent of the national plan, and was third place in all of China in cotton purchases. Anyue County, Jiange County, and Suining City have exceeded the national buying plan.

This year, the cotton area in Sichuan is 2.07 million mu, an increase of 200,000 mu over last year, and it is forecast that the amount bought will increase about 10 percent over last year. To guarantee this year's cotton buying, Sichuan's Cotton and Hemp Company, before it began buying, first set up a program to award sales of chemical fertilizer in cooperation with Sichuan's Agricultural Materials Company. It also linked up with Sichuan's Agricultural Bank and other departments to establish a purchasing fund.

This year, throughout the cotton-producing counties of Sichuan, cotton is being stored faster, and is higher in quality than in previous years. In Neijiang County, Leshan Prefecture, Chengdu City, Deyang County and other cotton areas, cotton buying began 10 days earlier this year than last. All areas are seriously enforcing national policies and cotton standards, and intensifying the education of cotton farmers in quality consciousness. During the harvest period, numerous cotton buyers insisted on cotton standards, and won the trust of many cotton farmers. In the last part of September, a working group of Sichuan's Cotton and Hemp Company, and supply and marketing cooperatives of Neijiang City, as well as related departments in Jianyang, Renshou, Lezhi, Jintang and other places, carried out inspections of the quality of cotton purchased, realizing a large increase over last year in the proportion meeting national standards.

New Techniques Increase Northern Rice Crops

92CE0137C Wuhan JINGJI XINXI BAO in Chinese
1 Oct 91 p 3

[Article by Zhuo Peirong (2715 1014 2837): "North China Promotes Dry Cultivation of Paddy Rice. Thin Planting Technique Gets Rich Harvests Over Large Areas"]

[Text] In several rice areas in the northeast and the north, this reporter saw a number of rice farmers who

could not contain their joy at the bountiful harvest. They gave the thumbs-up sign, ceaselessly praising the technique of thinly planting dry-cultivated paddy rice. Because this scientific accomplishment is being adopted in large areas, the rich harvest of paddy rice in north China this year is unprecedented.

According to incomplete statistics from 11 provinces, municipalities and autonomous regions in the northeast and northwest, the technique of thinly planting dry-cultivated paddy rice, which is a key technical dissemination project, has been used on 21.85 million mu in these districts, and accounts for more than 70 percent of the rice area. In seven provinces and municipalities of the north and northeast, the preliminary estimate is that increases in production of paddy rice in different places will range from 75 to 95 kg per mu, and the rate of increased production will be more than 20 percent. In the northwest, there were several large high-production districts in the Ningxia Hui Autonomous Region where the average per mu yield was more than 800 kg, and output in some areas of Xinjiang almost doubled.

The technique of thinly planting dry-cultivated paddy rice was originally called the "cold land" technique of thinly planting dry-cultivated paddy rice. It was first introduced from Japan early in the 1980's by Fangzheng County in Heilongjiang Province. The county conducted small-scale test plantings, and gradually developed it into a technique suitable for China's cold districts. It is a comprehensive technique for cultivating paddy rice, of which the central feature is nursing strong seedlings. It is more economical of water, seeds, fertilizer and labor than the traditional method of cultivation, but nevertheless greatly increases production. Under the coordination of the State Science and Technology Commission, the State Council's Import Office and the Ministry of Agriculture, and on the basis of its successful experience in Fangzheng County, this technique quickly spread all over northeast China and the whole northeast, north and northwest. By this year, three autumns of rich harvests have come to the shelterbelt of north China. Increases in grain production total 2 billion kg, and the value of water and seeds saved is more than 1 billion yuan. It is

expected that next year this advanced cultivation technique will spread to the great majority of the 30 million mu of land in China's frigid northern districts where single-crop rice is grown.

On the basis of the successful promotion of this technique in the northern districts, and through the efforts of the personnel of related agricultural departments, the work of promotion will steadily proceed southward starting from this year. This year, a farm in Hunlu County belonging to a certain army group in the Beijing Military Region, a unit in Liuyang County in Hubei, and other units, are for the first time conducting experiments in the technique of dry cultivation and thin planting on "warm land," and happily reaped a bountiful harvest. The 200 mu of northern rice that was planted in wheat stubble as an experiment at the farm in Hunlu County, which was paddy rice planted after a harvest of wheat, the average per mu yield is expected to exceed 500 kg. On the 600 mu of southern early rice in the experimental planting in Liuyang County, production increased on average by more than 50 kg per mu. The State Science and Technology Commission and other units recently made arrangements, and decided next year to carry out big-scale promotion of the dry-cultivation and thin planting technique for rice planted in wheat stubble and for southern early rice, combined with experimental work in using the technique of dry cultivation and thin planting for southern late rice.

Responsible people at the Achievements Department of the State Science and Technology Commission say that China has over 400 million mu of paddy rice land, and the great majority is in the south. The successful promotion of the technique of thinly planting dry-cultivated paddy rice in "cold land" together with the start of transferring it to "warm land" demonstrates the favorable prospects for China to make a leap to a new plateau in grain production relying on advances in science and technology. It is hoped that the people involved from various units will spare no effort to make the technique of thinly planting dry-cultivated paddy rice play the part it should in achieving the goal of producing 500 billion kg of grain by the end of this century.

Cheating on College Exams

92CAM00024 Shanghai SHEHUI (SOCIETY)
in Chinese No 79, 20 Aug 91 pp 42-43

[Article by Zhou Liancun (5297 5571 2625): "An Analysis of the Cheating That Occurs in College Examination Rooms"]

[Excerpt] [passage omitted] There is probably no college president today who would venture to boast that "there is no cheating on my campus!"

The thousand and one ways of cheating fully reflect the dynamic thinking and superb skill of today's college students as follows: copying and cribbing are primitive, unsophisticated, and easily exposed; secret passing of signals requires resourcefulness and speed but is limited by time and is a temporary business that is naturally given away if overdone; pulling the electric switch (turning off the lights) is a very modern technique that requires outside help and coordinated action; collusion and tacit agreements among professors and students make cheaters secure in the knowledge that they have strong backing and are thus risk-free.

Faced with such rampant cheating, professors feel helpless, parents shake their heads, leaders fold their hands, and the people sigh that "attitudes have changed, each generation is worse than the last, and ethics are declining." People feel puzzled and ask, "How could our ancient country with 4,000 years of Chinese civilization have come to such a state?" This article will analyze this particular question.

As the basic requirements of a commodity economy are to achieve maximum results and efficiency with minimum investment and cost, it is well-known that today's college students are even more aware of such subtleties. They know that one well-aimed glance at exam time can be worth more than weeks spent in libraries memorizing dozens of books and that on-the-spot transactions mean absolutely no waste of economic benefits, save much ineffective work, and eliminate much useless effort. Just as one toll of the golden bell is better than 3,000 clangs of the cymbals, one successful beat of the gong at exam time is better than trying to stay awake in class when one's ears are ringing and one's mind is full or than bending over a desk taking and copying notes until one's fingers are numb and one's back is aching. Even though cheating is a gamble like throwing the dice, with a 50 percent chance of either winning or losing, getting away with it brings twice the result with half the effort and big profits with little capital. Even though cheating is not respectable, as those who get away with it are not censured, and there is no literal difference between a mark of 100 that is really earned and one that is gained by cheating, why should it not be tried? This is the opportunistic mentality that leads to cheating.

It is obviously unfair to say that all students are inclined to cheat because many certainly want to learn and to assess what they have actually learned through taking

exams. Whereas cheaters look at honest students with contempt and disdain, waiting for them to finally discover after grades are posted that their honest efforts have certainly not won them favor, that the professors who use test scores as their sole grading criteria have certainly not considered their hard work and honesty in addition to their test scores, and that their own names have ended up at the bottom of the list. In particular, after their fellow students, who were certainly not "outstanding" or "in the top three," have been evaluated as such through cheating and have won much larger scholarships than they have, they complain about having gotten the worst of it, about having been taken in, and about the lure of fame and gain having won out in the end over personal ethical integrity. When the next exam time comes around, these formerly honest students are likely to dive unhesitatingly into the sea of cheaters. This is the mentality of those who have gotten the worst of it and decided to keep up with the Joneses by cheating.

While we Chinese were traditionally happy with a material creed of being carefree and aware of fate, standing aloof from worldly success, and adapting to circumstances, today's youth are obviously dramatized with such a depressing and stereotyped life-style. While today's youth need stimulation and have too much excess energy that needs to be vented, they do not know if they will ever be able to find enough stimulation on campus with which to vent such energy. Thus, while they are fully aware that cheating on exams is deliberately impermissible behavior, it is an easy way to smash the bonds of tradition albeit a risky battle of wits with exam auditors; it does give them the sense of pleasure of eating forbidden fruit and plenty of stimulation and excitement. This is the adventurist mentality that leads to cheating.

Our fierce professors used to preach to us that "if we did not study diligently, we would not be able to face our families when we returned home." While there are admittedly few students today who are very concerned about what their parents will think, many of them will still feel a certain amount of embarrassment when showing their parents a poor report card at the end of the semester. It was their parents after all who had raised them with such great care for so many years, hoping anxiously that they would do well, living frugally and meagerly, and spending so much energy to provide them with education. While this was not done just so that they could pass their exams, the only feasible way to repay their parents' kindness for those students who had majored in attending dances and strolling through parks instead of studying diligently to pass exams, was to cheat. For this, their justification was a "pass" on their exams to show their parents. This is the apologetic mentality that leads to cheating.

Those who earn lower grades invariably feel a little deficient and speak a little more timidly. Moreover, good grades are a fixed evaluation criterion for advanced units, classes, and individuals. As grades affect not only prestige and scholarships, but also collective honor,

students must neither disappoint their professors and fellow students, nor hold back their classes. We Chinese will do almost anything to keep from losing face. This is a mentality of vanity that leads to cheating.

The most basic psychological factor in cheating is the view that studying is useless. The time is long past when "book learning was valued like jade and gold," of which the well-known proof is that "grocers earn more money than guided missile scientists, and barbers make more than surgeons." While there have been longstanding promises to narrow "the gap between the pay for mental and manual labor," the disparity is actually still widening. Just as one real transaction beats a decade of broken promises, devalued book learning naturally can have no allure, since graduates working on master's degrees, undergraduates, and university students are a dime a dozen. However, in order to keep one's iron ricebowl in the primary stage of China's national conditions, it is necessary to have a diploma as a protective talisman, and the only cost-effective way to pass exams without studying is to cheat. While grades used to be like a powerful baton in the hands of professors, they have long lost their former allure. Although there has been repeated propaganda about selecting and assigning those best qualified, what is invariably seen is the impact of the connections of "well-placed fathers" instead. Graduating students from sought-after cities, such as "Tianjin, Nanjing, Shanghai, and Beijing," are still being reassigned to their hometowns, while rural graduates are still being forced to return to their hereditary lands. Naturally, while high-sounding excuses are made that this is done in order to strengthen grass-roots organizations and to build up native places, it was actually long since decreed by fate, so competitive assignment is both unnecessary and impossible. As studying, book learning, and good grades are all to no avail, all too prevalent are phenomena such as the following: choice assignments being given to those who have grades of only 60 but have good family connections; plagiarism, and mutual aid groups that help cheaters.

This mentality of just getting by coexists with the view that "studying is useless." Students who do not study will always find something else to do, such as playing cards and mahjong, going to dances and movies, falling in love, window-shopping, and engaging in one type of business or another. In the rare event that none of these extracurricular activities are available to them, they will join the "9-3 campus society," i.e., sleep until 0900 and take noon naps until 1500, whiling away their time single-mindedly and muddleheadedly. Certain others, who have too high expectations and think that college is a very mysterious place, feel letdown when they arrive and see that such is not the case. As they worked so hard and long in high school, they think that they can relax and take a breather while in college, and think about studying only when exam time comes around. While book learning and grades may be useless, but a grade of 60 is still needed to get by; they do nothing until the last minute, when they have to rely on their luck at cheating to pass their exams.

In light of the abovementioned major psychological factors in cheating, which can be called its internal causes, what then are its external causes?

1. The devaluation of book learning and the view that studying is useless are part of the external environment, or the macroclimate. Discussions of this problem are so common that nothing more needs to be said because it is the major external cause of cheating.

2. The general decline in our overall social ethics has led to rampant cheating. It used to be said that "each level lies to the next, all the way up to Chairman Mao." Lying is bragged about, inferior things are passed off as being superior, there are counterfeit cigarettes, wines, medicines... everything is falsified, and dishonesty is certainly not properly penalized under current conditions. Liars win honor, receive awards, and are promoted, while those who tell the truth are criticized and penalized, even finding it difficult to stand up for the truth. This tilts the scales of public morality, making students ask, "as the whole society is full of lies, why should we not cheat on exams?" Thus, they cheat boldly, considering it honorable instead of disgraceful.

3. Curriculums are irrational. Some courses can be taken or not without much difference, others are basically irrelevant and simply a waste of time, and yet others are so simplistic that even top students can learn nothing from them. Some courses have neither learning or usable value, and even less enjoyment or character-molding value. It is obviously impossible to ask students to study such courses conscientiously. As they do not want to take such courses but have to pass the exams, they resort to cheating.

4. Professors do not teach properly. Some professors are so influenced by the macroclimate that they become fiends in human shape, by muddling along in their preparations and teaching and even teaching without preparation in some cases. Some professors are basically unqualified, having neither sound scholarship nor eloquence as speakers. Their lectures are either repetitious and insipid, or unrestrained rambling, or incoherent and unintelligible, so that they confuse not only the students but even the professors themselves. Such blind-leading-the-blind teaching so spoils students' appetites for either attending lectures or learning that they are forced to take countermeasures at exam time. Fortunately, as such professors well know their own limitations, they close one eye when monitoring exams and grade papers leniently, so that everyone saves face, which is an even greater stimulus for cheating.

While it might be said that cheating per se does not give much food for thought or vigilance, people's attitudes toward and moral judgments of cheating should certainly frighten us. An unhealthy social atmosphere is one of the sources of cheating on exams, which in turn adds fuel to the flames of unhealthy tendencies. It is often asked, "in the sacred halls of science are so full of

unhealthy tendencies, is nothing untarnished anymore¹⁰¹. Some students say that "cheating forfeits one's sense of self and truth!" While young students should naturally be innocent, artless, pure, and unflawed, they have now been nurtured for far too long in an atmosphere of unhealthy tendencies and evil practices, which has tainted them with bad habits.

Except for sports stadiums, examination rooms are China's only other arena in which genuinely fair competition can be said to exist. While our resumption of college exams in 1977 restored our confidence in fair and equal competition and reawakened our competitive mentality, cheating on exams has largely discounted this sense of fairness and landed us right back in an incongruous situation of unfair competition.

As book learning and diplomas were actually never worth much in China, cheating on exams has caused an even more disastrous decline in their value because anyone can get a diploma simply by muddling along, as long as they learn a few characters and how to copy. Even those who have never studied a foreign language can get grades of 80, 90, or even 100. As the wife of a party committee secretary in a certain village, who had not even finished grade school, actually passed a test to become an accountant, it is no wonder that educators are satirized as in the following: "The streets are full of professors, and lecturers are as prolific as dogs." In light of the abundance of such cases, those scarlet-gilded diplomas are actually not worth much more than pieces of wastepaper, although they may be a little more ridiculous. [passage omitted]

CENTRAL-SOUTH REGION

Commentator Urges Rural Ideological Education*HK1311133291 Zhengzhou Henan People's Radio Network in Mandarin 2,000 GMT 8 Nov 91*

[Commentator's program: "Ideological Education Must Be Conducted Throughout the Course of Socialist Education"]

[Text] Second-phase socialist education is now being carried out in the rural areas of various cities and prefectures province-wide. In keeping with the requirement, raised by the central authorities and the provincial CPC Committee, to take socialist ideological education as the main thread, ideological education should be given prominence in our province's second-phase socialist education and carried out through the entire course. While conducting socialist education in this phase, we must pay attention to integrating the abstract with the concrete and overcome the problems of the first-phase socialist education movement, such as some localities opening activity rooms and launching certain activities instead of [words indistinct]. It is also necessary to reverse the phenomenon of some localities paying sole attention to propaganda to the neglect of issues the public were concerned with during the first-phase socialist education movement. [words indistinct] the ultimate purpose of socialist education in rural areas [words indistinct] to strengthen the building of grass-roots party organizations, [words indistinct], especially in promoting the consolidation and expansion of the collective economy in rural areas.

Instruction in the teaching of socialist ideology is necessary. Taking socialist ideological education as the main thread means consistent, effective efforts in such instruction. The key to accomplishing the task of the instruction of socialist ideology lies in whether or not the great truths that are preached are integrated with the ideological reality of the peasants and cater to the receptiveness of the majority.

In the first-phase socialist education movement, such practices as electing "persons with three honesties," reviewing "three histories," comparing past and present, educating local people with local happenings, showing video documentaries on model units, including Lianzhuang and Zhulin, and integrating socialist ideological education into various entertainment activities, which was carried out in Zhoukou, Kaifeng, and Jiaozuo, all achieved good results. Therefore, that the peasants are not receptive to great truths should never become an excuse for relaxing, or even giving up, ideological education.

After arriving at their destination villages in Yuanyang, Zhongmu, and Xingyang, second-phase work teams from provincial organs did well in their investigations and in helping the masses fight drought and sow wheat. Meanwhile, they conducted large-scale propaganda on socialist education through blackboard newspapers, slogans, and broadcasting, taught two songs, "Socialism Is Good" and "No Communist Party, No New China"; and showed audiovisual educational programs, such as a documentary on a model rural party branch secretary, Shi Laike. This way, they quickly rallied the attention of party members, cadres, and the masses of the villages where they were stationed and smoothly started teaching and education. This example shows clearly how ideological education can be effectively conducted in rural areas.

In a word, in order to comprehensively accomplish the tasks of second-phase socialist education in our province, we must implement the guiding principle of "taking socialist ideological education as the main thread," as laid down by the central authorities and the provincial CPC Committee, and use this main thread to string together the building of grass-roots party organizations, the development of the rural economy, family planning, and the comprehensive management of public security. The experiences of our province in the first-phase socialist education movement proves that as long as we do truly well in socialist ideological education and arouse the peasants' enthusiasm for socialism, the rest of the tasks of socialist education will be much easier to perform.

Expionage Network of National Bureau Detailed
91CM05594 Taipei HSIN HSIN WEN [THE
JOURNALIST] in Chinese No 230, 11 Aug 91 pp 14-17

[Article by Lu Chao-lung (0712 2507 7127): "Sung Hsin-lien (1345 1800 3425) Casts a Giant Net Overseas by Establishing 60 Organizations in Five Continents"]

[Excerpts] [passage omitted] Under the current director, Sung Hsin-lien, the organizational structure of the National Security Bureau's (hereafter referred to as NSB) overseas units no longer resembles that of the past. Authoritative sources disclose that currently the NSB has three special agent's offices and 60 "work groups" overseas.

Reportedly, the NSB's three special agent's offices are in Indonesia, Germany, and Washington, D.C., and these offices are headed by people with lieutenant general rank. For example, Lt. Gen. Wang Yeh-kai (3769 2814 0418), former vice chairman of the U.S.-based Military Procurement Delegation, was a special agent in Indonesia, former director of the Central Intelligence Agency, Lt. Gen. Wang Hsi-ling (3076 1585 5376), was at one time special agent in Washington, D.C.

The backbone of the overseas units, however, are the "work groups." At first they were set up as "large work groups," "small work groups," and "supervisory groups." According to authoritative sources, because Sung Hsin-lien "is very eager to see more development in overseas work," after several rounds of reviews and discussions, they have been turned into 60 "work groups." They are scattered in North, Central and South America, the Middle East, Asia, and Europe. They cover a broad area. Each group is given a code name and an alias. For example, "Kuo Wei-hsien" (6753 1919 6343) is the alias for a certain small group in Europe, and 9033 is the code name for a certain group in Central-South America. Besides being used for identification and communication purposes, these code names and aliases help conceal the identity of these groups and keep the "counter-intelligence" units in the foreign countries from finding out about them.

Of the NSB's 60 "work groups," 11 are in the United States; proportionally, they make up the largest group. The 11 units are located in New York, Boston, Atlanta, Miami, Chicago, Houston, Kansas, Los Angeles, Seattle, San Francisco, and Hawaii. This reflects how much weight the NSB has put on U.S. intelligence and on the activities of the overseas Chinese in those cities.

As for the other regions, there are two "work groups" each in Hong Kong, Saudi Arabia, and Canada. In fact, the NSB even helped Saudi Arabia to set up an intelligence security system. As for Canada, it is divided into eastern and western parts based on its geography. Hong Kong's two "work groups" are vital for gathering intelligence on the other side of the strait. In addition, the NSB also has two secret "work groups." One is the "Group S," code named, 9046, the other is "K² Work Group," code named, 9063. Meanwhile in Eastern Europe, it is learned that because of the changing Soviet

situation and because no operation had ever been conducted in that region before, the NSB has set up a "beachhead" in Hungary, hoping to expand gradually to obtain some firsthand intelligence.

As for remunerations, personnel sent to work in the overseas work units are very well-paid. The group leaders and group members may earn anywhere from \$4,000 to \$7,000 a month. Take a certain Middle East nation for instance. The monthly pay is \$7,300, which includes \$1,300 bonus because of the undesirable location. This comes to NT\$200,000 (new Taiwan dollars), which is substantial. That is why many NSB employees regard foreign assignments as lucrative posts and often fight over those jobs, and it has also become a difficult task for the high-ranking NSB officials to decide how to make an appropriate personnel choice. Everytime someone is designated, someone else in the bureau will inevitably complain.

It is learned that during Sung Hsin-lien's tenure, a worker who had been sent to a certain Middle East country actually returned to this country without permission soon after he reported for duty and submitted his resignation. When news of this incident spread within the bureau, some people began to question whether there had been carelessness in "personnel selection." A few years ago, Lt. Gen. Chao Wen-yu (6192 2429 3768) (a graduate of the Class of 1925 of the Military Academy,) leader of a work group in Japan, was transferred back to this country abruptly, and rumors were abound inside the bureau as to the real reason behind that transfer. In addition, it is not unusual to hear stories such as how ridiculous that some people who are sent abroad actually cannot even speak the local language. An insider made a comment on the above phenomena. He said, "someone will always bear a grudge because they did not get the job," and this has been one of the causes of the foreign assignment problems. Often the higher-ups will try to appease those who did not get the assignment so as to boost morale.

According to another source of information, besides the overseas work units, the NSB and the intelligence units of 29 nations also have a working relationship. For example, it has ties with the Philippines' national headquarters for intelligence coordination and the ministry of defense and the armed services intelligence agency, Argentina's state intelligence agency and state intelligence center, Japan's domestic intelligence office and public security office, Malaysia's central intelligence agency and the royal police headquarters, intelligence agencies in Germany, France, Holland, Belgium, Spain, Luxembourg, Austria, Portugal, and Italy and other European countries. Cooperation may be in the form of exchange of intelligence and personnel training. Reportedly, some NSB personnel have been trained by Israel's Mossad. [passage omitted]

On the whole, due to Taiwan's present international status, most members of its overseas work units are working in countries which do not have diplomatic

relations with this country, and they tend to run into many obstacles. But in order to coordinate with our "pragmatic diplomacy," Sung Hsin-lien is still setting fairly high standards for the results delivered by these work units. Authoritative sources point out the kinds of intelligence being gathered today are indeed much more valuable than those gathered in the past.

The Current Organizational Structure of the National Security Bureau

Director: General Deputy Directors: Lieutenant General—2

First Division: Major General—in charge of planning and supervision of policies toward the mainland.

Chief Secretary: Lieutenant General—1

Second Division: Major General—in charge of supervising tasks and fostering overseas cooperation.

Secretaries: Major General—4

Third Division: Major General—in charge of planning and supervision of domestic security policies.

Consultants and Planning Committee Members—about 100

Fourth Division: Major General—in charge of mainland and international intelligence gathering.

Chief-of-Staff: Major General—1

Fifth Division: Major General—in charge of R&D of communications and special equipment.

Secretariat: Major General—in charge of clerical work, translation, scheduling, and filing.

Supervisory Dept: Major General—in charge of domestic political work and enforcement of discipline in the units.

Personnel Dept: Major General—in charge of general personnel business.

Controller's Dept: Major General—in charge of the use and management of funds.

General Affairs Department: Major General—in charge of general administrations.

Training Center: Lieutenant General—in charge of advanced training of personnel in the bureau's intelligence units.

Scientific Research Department: Lieutenant General—in charge of breaking and interpreting CPC and foreign secret codes and the unified design, printing, and management of Taiwan's secret codes as well as management of computer software and program design.

Prepared by Lu Chao-lung [0712 2907 7127]

So far as the NSB's current organizational framework is concerned, the overseas work units are its backbone, and the bureau headquarters which is located in Yangmingshan is the nerve center. The bureau consists of a director, deputy directors, a chief secretary, secretaries, a chief of staff, consultants and planning committee members. Because intelligence work is secretive by nature, the tasks of each department are clearly separated, and only a handful of high-ranking officials in the director's office

have a handle on the direction of intelligence work and are not in danger of getting lost in the intelligence game. For this reason, there are but a handful of officers in the director's office at the nerve center, and only these officers are the true so-called "high-level intelligence officials."

The NSB director has the rank of a general (NSB posts were originally civilian posts, but because military and civilian posts are interchangeable, military ranks are now the standard.) Both Sung Hsin-lien and the former director, Wang Ching-hsu [3076 2417 3563], are generals, this rank is just a guideline and is not strictly adhered to, because prior to Wang, earlier directors such as Wang Yung-shu [3769 3057 3412], Chou Chung-feng [6719 0022 1496], and Hsia Kuei-ping [1115 6311 1627], were not generals. Wang Yung-shu had been deputy garrison commander before being promoted to head the bureau, and because he was close to a general's retirement age, he was named special appointee and was never promoted to general rank during his term in office.

According to the original design, the NSB has two deputy directors, both are of lieutenant general rank, but during the respective tenures of Cheng Chieh-min [6774 0094 3046], Chen Ta-ching [7115 1129 1987], Hsia Kuei-ping, Chou Chung-feng, Wang Yung-shu, Wang Ching-hsu, and Sung Hsin-lien as director, deputy directors have been appointed based on job assignment, and in fact there have been as many as four deputies at one time. Of the current deputy directors, Huang Yao-yu [7806 5069 5038] is in charge of the bureau's second, third, and fourth divisions and is the lead deputy director. The other deputy director is Wang Yi [3769 6146] who is lesser known to the public. Reportedly, Wang Yi was graduated from Taiwan University's electrical engineering department and is very smart. He was among the first group of reserve officers turned career military officer. He had been vice chairman of the scientific research department before being transferred to the bureau headquarters and was later transferred back to head the scientific research department and was promoted to his current post while serving in that post. The scientific research department has a well-known unit—the surveillance unit—code named "An Kang" [1344 1660], which is in charge of international electronic surveillance.

The NSB's chief secretary also has lieutenant general rank, and currently the post is filled by Chu Nai-jui [4281 0035 3843]. He will be retiring soon, and his successor has not yet been named. Rumor has been spreading within the bureau that Chao Tzu-hsiang [6392 1311 4382], currently head of the fourth division is high on the list of hopefuls. According to the original plan, there are four secretaries in the office of the director, all are lieutenant generals. However, bureau directors in the past have been flexible about appointing secretaries depending on need. Reportedly, Sung Hsin-lien has eight secretaries. As for the chief of staff of the office of the director, currently it is filled by Wang Chang-chou [3769 4545 5297], a graduate of the Class of 1938 of the

Military Academy. When Sung Hsin-lien was commander of the Jinmen Garrison, Wang was his brigade commander. Sung thought highly of the war plan he drew up, and he has been Sung's favorite since. Soon after Sung was promoted and transferred from the Jinmen Garrison to the NSB, he had Wang transferred to the bureau headquarters as chief of staff. This is a rather thankless job, a job that makes more enemies than friends, and although Wang Chang-chou is very capable, there have been endless problems.

During Director Wang Yung-shu's tenure, rumor had it that some of the documents had been drafted in pencil by an underling. [passage omitted] Upon Wang's departure, the NSB staff wanted to get back at this often controversial man and gave his office telephone an extension number of "744," telling him to "drop dead." This person has since been transferred to the provincial Department of Agriculture. Today, once in a while there are rumors of Sung Hsin-lien's departure, and if that happens, some people are ready to "get back at" Wang Chang-chou in a similar fashion. The truth is, all the controversies surrounding Wang do not mean that he has actually done anything wrong. All it says is, even as a member of the nerve center of the NSB, the position as chief of staff is not an easy job. No matter who gets it, there will be controversies.

As for the distinction between the NSB consultants and planning committee members, the former is of lieutenant general rank while the latter is of major general rank. Some of them work regular office hours and others do not. Those who work are paid a salary and those who do not are on allowance. They total about a hundred or so in number.

There are five divisions under the NSB's jurisdiction. Each division is headed by a major general. The first division is in charge of mainland work and is responsible for the planning and supervision of policies toward the mainland. The second division is in charge of overseas tasks and responsible for supervising and fostering overseas cooperation. The current chief is Sun Hung-hao [1327 1347 4110], a graduate of the political work cadre training academy and is a senior NSB officer. That division has its own protocol section which is responsible for entertaining important guests. The third division is in charge of the planning and supervision of domestic security policies. The division chief is Kao Pi-hua [2559 0012 3563]. He started from the grass-roots level and worked his way up, from section member of the third division to section chief to special committee member to deputy division chief and eventually to division chief. The fourth division is in charge of studying and sorting out mainland and international intelligence. The department is headed by Chao Tzu-hsiang who is also a political work cadre training academy graduate and is also a senior intelligence official. The fifth division is in charge of research and development of communications and special equipment.

Because the second, third, and fourth divisions of the NSB are large divisions and have a large staff and the division chiefs are veteran intelligence officers, outsiders often criticize Sung Hsin-lien for recruiting his old cronies into the NSB. An insider refuted this charge by saying that Sung had not known his staff before he took office and that they have developed a tacit understanding among themselves only after having worked together for years. However, reportedly it is exactly because of the long years' of working together that all senior NSB officers at above-division-chief level are Sung's gang.

In addition, the NSB has a secretariat, a supervisory department, a personnel department, a controller's department, a general affairs department, and a scientific research department. Except for the head of the scientific research department who is a lieutenant general, the other department heads are major generals. The scientific research department is in charge of breaking and interpreting secret CPC and foreign codes, the unified design, printing, and management of Taiwan's own secret codes, as well as the management of computer software and program design. Reportedly, that department is semi-independent. It has two vice chairmen who are in charge of seven separate sections. The vice chairmen have major general rank. It is a large department with a huge staff. Some NSB leaders have criticized the present organization for having created "departments within departments." The status of the scientific research department in the future restructuring of the NSB will probably be the focus of many disputes.

The "An-kang" international surveillance unit under the scientific research department has its own "An-kang exchange." The unit's extension numbers are not listed even in the bureau's own telephone books. "An-kang," and "An-hua" [1344 5478], a unit responsible for domestic surveillance and which has been retracted into the bureau headquarters, are extremely secretive. In addition, the controller's department is in charge of the use and management of funds. It is learned that because members of the Legislative Yuan are more concerned about the NSB's budget this year, the controller's department has carefully gone over the figures in the report submitted to the Legislative Yuan by Deputy Director Huang Yao-yu to make sure there are no unexpected complications.

The NSB is also equipped with a training center. It is headed by a lieutenant general, and the office is not located in the Yangmingshan headquarters but has borrowed the campus of the Zhengzhan Military Academy. The center's training program is comparable to that of the military's commander's education.

According to the deadline set by the "sunset clause" pertaining to constitutional addenda and amendments, the NSB is in the process of restructuring itself. Although a final decision has not been reached, it has been nearly 40 years since the inception of the NSB on 1 March 1954, and its organizational structure has taken shape.

As pointed out by an authoritative source, "The structure of the NSB after its reorganization should still be based on its current setup. There should not be any drastic change." In other words, the restructuring of the NSB is but a question of jurisdiction. As for the setup, it will only be a matter of bring the organization more into the open. The NSB probably will not abandon the experiences it has accumulated over the last 40 years.

Professor's Perception of Kuomintang

92CM00704 Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 239, 13 Oct 91 pp 48-51

[Article by Tung Ch'ing-feng (4547 3237 1496). "What I Do Today Is the Same Thing My Grandfather Did in Former Days, in a Special Interview Taiwan University Professor Ch'en Shih-meng Talks About Changes in His Role"]

[Text] How much influence can a scholar wield? But Taiwan University economics professor Ch'en Shih-meng [7115 1597 1322] in his role as a scholar shocked "shining 10 October" and cast a haze over it. This university professor was regarded by the Kuomintang [KMT] as a faithful party descendant and would have been a standard "five red category" in the KMT feudal system, but Ch'en Shih-meng publicly split with the KMT. Recently, his influence became the biggest variable in the KMT's military review at the national celebration because he headed the list of signers who established the Action Alliance of 100.

Ch'en Pu-wei [7115 1580 7191], Ch'en Shih-meng's grandfather, was one of the founders of the KMT and the country, but he never had the chance to meet him. "My grandfather passed away 100 days after I was born. What I know about my grandfather comes from the essays he left behind." Ch'en Shih-meng says that many people think that he and his grandfather took two completely different directions, but he feels that in the light of the writing his grandfather left behind, some of his own thinking is actually very close to his grandfather's.

Ch'en Shih-meng said, "There is a sentence in my grandfather's papers that says 'I do not wish to be responsible to others, only to myself.' I firmly believe that my grandfather was grieved and indignant about colleagues and officials who were corrupt and worried only about their own skins. But he was very tolerant, so he took responsibility himself for some of the mistakes. I think that some people want me to imitate my grandfather, especially some of the older generation. What they really should be thinking is how much they have really done for this country. I personally feel that the people who brought about my grandfather's death were the conservatives. In the face of a national crisis, they failed to act, or fled in all directions, and have let the country get to the present stage. I think the things I am doing today, are the same as those my grandfather did before me. That is, working for the future of the country. I am unlike him in that I don't think I should be

responsible only for myself, but that I should take on responsibility for all the country's affairs. I think that what I should do today is point out the errors of the KMT."

Ch'en Shih-meng's father told him from the time he was small not to pursue politics, but had never talked to him about how his grandfather died. "My father never talked about my grandfather." Ch'en Shih-meng said his youth was mostly spent at a sugar refinery in a small place in the south. He was quite removed from politics. "I joined the KMT on 10 October 1961. At the time I had just entered university, and on completing training at the Chengkungling army training camp, my instructors wanted me to join the party. I didn't see anything wrong with that. At the time the party seemed to be our country's liberator and from the time I was small I had grown up in this type of environment."

There was a great change in Ch'en Shih-meng's ideas about the KMT after he went abroad to study. He said, "I read many books about the Chiang family and only then did I understand that the so-called great man was created on the basis of lies. Slowly I felt that things I had said on behalf of the KMT or some of the articles I had written praising the KMT were out of my own ignorance."

In the 10 or so years since he returned home, Ch'en Shih-meng has had more and more opportunities to come in contact with government policy-makers. "I think it's a tragedy for them to control Taiwan's future and the happiness of 20 million people."

Ch'en Shih-meng believes that the KMT keeps on saying they are moving toward democratic government, but the scope of party affairs becomes larger. Although academic circles criticize them again and again, there are absolutely no indications of KMT restraint. "This makes me think that the KMT really doesn't want to carry out party politics, but wants only party control."

Ch'en Shih-meng, who was heretofore unknown, became a national figure overnight because he was beaten for supporting the students during this May's student movement.

Ch'en Shih-meng said, "The beating I got at the Chung-cheng Memorial Hall was only a small matter, but what I haven't been able to forget is that the first policeman who hit me was very young, probably only about 20. When he raised his fist to hit me he was smiling and the impression left by this smile is a very deep one. What grieves me is that I think that a child could not derive pleasure from hitting someone, to my surprise, when he hit me he was very happy. I believe his nature has been severely distorted. He seemed to be living in a world I don't know, and even what he expressed was so different from what the young people I know would have expressed that I was very troubled. I repeatedly felt that this wasn't his fault. He had been taught and manipulated. His superiors should bear the major responsibility, but his superiors were not the team leader or the police

chief. In my view it was the party in power. Because they want to consolidate power, they look for people to make into instruments of their control. The upper level of the party in power does not teach these young people, but uses them as tools of repression. Naturally, we can no longer tolerate the party in power continuing to create such tools from society. Therefore, my criticism of the KMT may be hatred, and may be said to increase not decrease."

Repeated perverse acts of the KMT drove this enthusiastic descendant of a party founder beyond the limits of his patience. Ch'en Shih-meng decided to leave the political party that his grandfather had sacrificed for all his life, and he expressed his determination to leave by publicly burning his party membership card.

Ch'en Shih-meng said, "If two parties break off relations, everyone gathers or scatters, such as I thought when Lin Cheng-chieh [2651 2973 2638] left the Democratic Progressive Party [DPP], if he hadn't mentioned his hatred, I would have respected him much more. But it depends on why you are leaving the party! The most important thing about my leaving the party was to express my criticism. I wanted non-KMT people to understand that it was all right not to join the party, and wanted KMT members to consider whether this party was worth their confidence. So we chose an act such as this. The act wasn't very graceful, but it had its use."

Ch'en Shih-meng believes that Taiwan can only move towards true democracy, when the KMT discovers a threatening opponent, and at any time it should think it is not doing things well it will be asked to step down, and only then can we move in the direction of supervising the KMT. But there is no hope at all for party politics in Taiwan unless the DPP grows.

Therefore, not long after leaving the KMT, Ch'en Shih-meng joined the DPP. Although many people didn't believe it, he said, "Joining the DPP actually represents our expectations for the DPP. That is, although the DPP has many shortcomings now, we feel our willingness to join expresses our willingness to agree with them, our willingness to be their comrades and friends, and discuss social problems with them. I think this is a way for a weak political party to grow, and if like most people I just condemn the DPP shortcomings, what will society be like in the future? That only increases polarization, the more you beat, revile, and criticize me, the more extreme I become, and the more violent to express my dissatisfaction. Because everyone is so tolerant of the political party in power, and attacks the faults of the DPP so vigorously, the more the political party in power acts the way it wants and the more unable the DPP is to threaten it."

Ch'en Shih-meng is vigorously opposed to intellectuals who keep to their ivory towers, because the fates of millions of people are in the hands of a minority. "This minority is even more confused than we are, so why can't we intellectuals replace them, or at least restrain and

monitor them?" Many intellectuals say they don't understand things outside their field, but Ch'en Shih-meng thinks this is a pretext, because many things are matters of right or wrong. Only by being willingly concerned and well-intentioned, and not saying that we should study the penal code for a 100 years can the 100 articles of the penal code be decided upon.

Four years ago, Ch'en Shih-meng participated in the creation of the Taiwan University Professors Association. At the time he came to the attention of the intelligence system, but he didn't cower, and his area of concern expanded beyond the campus. Ch'en Shih-meng participated in the March student movement last year to oppose military interference in government. In the past he was involved in social movements purely as a participant, but in the Action Alliance of 100 he became the nucleus of decision making. Why has Ch'en Shih-meng come from behind the curtains and jumped onto the stage this time?

He said, "Objectively speaking, the decision-makers of the Taiwan social movement to a considerable degree wasted their resources in this past period, especially in the 8 September demonstration, the plebiscite, and the Presbyterian Church. They wasted a great deal of manpower and material, therefore they wanted to throw themselves into another social movement soon after, is very difficult in terms of the objective environment."

"On the other hand, I personally feel that in fact academic circles have not put forth enough effort to bring about changes in Taiwan in the past few years, so this emergence of academic circles is very valuable experience."

Recently, the Action Alliance of 100 has frequently been active and Ch'en Shih-meng naturally has also become a focal point of the media, but he feels that these feelings are wrong. "I never thought of myself as a public figure, I don't have that kind of temperament. I always felt that I was more suited to research, and working as an assistant. I am not a leader, therefore asking me to become a public figure goes against my nature, and makes me very unhappy. Perhaps many cannot forgive me and think that we are accumulating political capital, but what I can do is constantly tell myself that I don't have any political ambitions, I never planned to take the political road."

Agency Predicts Economy To Grow Even Faster in 1992

(OH 201108409) Taipei CNA in English 0753 GMT
20 Nov 91

[Text] Taipei, Nov. 20 (CNA)—With the global economy recovering steadily, the Taiwan economy will perform even better next year than in 1991, a cabinet-level agency predicted Tuesday.

Preliminary tallies show that the country will achieve its 7 percent economic growth target this year even though

the world economy remains in the doldrums, reported the Directorate General of Budget, Accounting and Statistics (DGBAS).

This is an enviable and admirable achievement when compared to the less-than-one-percent growth in the global economy forecast by many authoritative foreign economic research institutions, DGBAS officials said.

As the world economy is expected to gradually turn for the better in the months ahead, the officials said, Taiwan's export-led economy should grow even faster and reach at least the 7 percent level, they added.

The officials further pointed out that the latest cuts in local interest rates will be conducive to domestic development. Lower interest rates will stem an influx of speculative "hot money" and thus cushion the further appreciation of the national currency. The adjustments are also expected to help stimulate private investments and consumer spending, two of the most important elements bolstering a country's economic growth.

Thanks to booming exports, the officials said, the local economy grew more than 7 percent in the third quarter of the year at a rough estimate. The exact growth rate for the July-September period will be released Friday.

Preliminary statistics show that the country will register a 10 billion U.S. dollars plus surplus in its global merchandise and service trade in 1991, the officials reported.

Taiwan's Gross National Product (GNP), the broadest measure of a country's economic health, will reach an estimated 4,800 billion new Taiwan dollars this year, or a per capita GNP of about 8,700 U.S. dollars.

As prices for major industrial raw materials remain stable or are even declining on world markets, the officials said, annual domestic consumer price inflation should not exceed 3.5 percent and wholesale and import prices will rise a mere one percent.

Leaders of Democratic Groups View Legco Elections

91CM05144 Hong Kong CHENG-MING
[CONTENDING] in Chinese No 166, 1 Aug 91 pp 78-80

[Article by Li Chih-jen (2621 2535 0088) "Hong Kong Democrats Air Views on Legislative Council Elections"]

[Text] Szeto Wah (0674 1778 5478)

Szeto Wah, who took a clear stand in support of the prodemocracy movement in the mainland, suggests that there are two important aspects about the 1991 Legislative Council [Legco] direct elections. First, it will be a test to see whether members of the democratic groups indeed have the support of the citizens and whether the people have the confidence in the candidates to win democracy and freedom for them. Second, the election will also be a test of the Hong Kong people's consciousness about the democratic system. If the voter turn-out rate is so low that those who are elected are not the kind of popular representatives the people have hoped for, they will have nobody to blame but themselves because of their own lack of political consciousness.

In an interview by this reporter, Szeto Wah stated that his political platform is the same as the goal of the United Democrats of Hong Kong, which is to galvanize the people's collective strength and to make every effort to win democracy in the years to come. The campaign for the upcoming elections has reached its peak. The East Kowloon District has become a battleground where forces from all sides gather. Szeto Wah said that he will spend as much time as he can to get to know the people of East Kowloon. Although he did not start out as an elected member of the district board, he believes deeply that the Hong Kong people have discerning eyes. That is why he has not chosen the easy way but has boldly opted for the more difficult route, instead of going for the functional constituency, he has chosen to participate in the direct election. One public poll shows that Szeto Wah is the second most popular candidate today. This has boosted his self-confidence.

When asked whether the fact that he and the "Hong Kong Alliance in Support of the Patriotic Democratic Movement in China" had long been the Chinese government's targets of attack would have an impact on the election and about the rumor that the democratic groups were prepared to make concessions to win China's forgiveness, Szeto categorically denied that members of the democratic groups would submit to Chinese pressure or that they would come to terms with the Chinese. He insisted that it was the Chinese who needed "forgiveness," not members of the democratic groups who supported the mainland's prodemocracy movement. He said that if the CPC has the courage to admit that it was wrong, right the wrongs of the "4 June" incident, free members of the prodemocracy movement, and make democratic reforms, it will be forgiven by its fellow countrymen at home and abroad.

This proud man who heads the Hong Kong Alliance and who will never yield to pressure does not believe that Chinese pressure or hostility will affect his future because only a handful of people are taking orders from the Chinese, and, as proven on the second anniversary of "4 June," the absolute majority of the people still support the prodemocracy movement in China and support Hong Kong's democratic groups.

Today, the Hong Kong people are feverishly raising money to aid the victims of the disastrous flood. What does he think of this mysterious national bond? Szeto Wah points out that the people feel the same way about this year's "Selfless Great Performance" as they did the "Concert For Democracy In China" in 1989. Their selfless enthusiasm is based on the fact that blood is thicker than water, that we and the mainland people are like flesh and blood. They are driven by the same lofty patriotic sentiment and love for their fellow countrymen. It has nothing to do with any political party or political regime.

Lee Chu-ming (2621 2691 6900)

When Lee Chu-ming, chairman of the United Democrats of Hong Kong and internationally renowned "democratic warrior" who is also being accused of advocating "one-party rule," was interviewed by this reporter, he stressed that he did not believe that "one-party rule" existed in Hong Kong. He said the United Democrats is but a gathering of people who are willing to fight for Hong Kong's democracy and freedom, that it is only consolidating the forces and building a wall of popular will so that the people can give more play to their own strength.

Lee has been called a star of Hong Kong's political arena. He has his own brand of charisma and has long been the target of attack of the mouthpieces of the Chinese authorities, but he seems to have "gotten used" to their petty gestures. He spoke frankly and told this reporter that he did not mind other people's criticism or slander, nor would he let them influence his long-standing decision to fight for democracy and freedom for the people of Hong Kong. He said that this should be the sentiment and attitude of every political figure and public figure, that there are things one should worry about and things one should ignore, and that if something conforms to one's principle, it should not matter what other people think. He said, "nobody kicks a dead dog," and that when other people attack him or try to hurt him, it only proves that they have something to fear in him. This also proves that his efforts all these years in fighting for Hong Kong's democracy and direct elections have not been in vain, and he finds that most gratifying. As for whether the voters will vote for him and support him, he said that it is not important because every politician should have the heart to "find satisfaction in other people's success." His greatest wish is to inspire the people of Hong Kong to cherish this opportunity and take an active part in the election.

In today's macro-climate where both the Chinese and the Hong Kong governments are suppressing the democratic groups, Lee Chu-ming is optimistic about the direct election's ability to promote the development of Hong Kong's democratic system. The Joint Declaration signed in 1984 is an internationally recognized agreement. Although former CPC Secretary General Zhao Ziyang who signed the declaration has been toppled, Lee is still hopeful that the Chinese will honor the promises made in the Joint Declaration.

At the end of the interview, this "democratic warrior" reiterated that a democratic election should be held under the principle of fairness. He said that the United Democrats has sent its candidates under no false pretences, and he asked that whether a candidate is pro-Chinese or pro-British, everyone should disclose his background and identity. The voters have discerning eyes. Those who think that they can conceal their political affiliation and pull the wool over the people's eyes not only are betraying their own cowardice and fear, but their sneaky behavior is fooling only themselves and will only invite the people's contempt.

Lam Kui-shing (2651 6880 2052)

Lam Kui-shing, who became a media personality when he ridiculed the late governor Sir Edward Youde—to his face—of "licking boots," is making a comeback and is teaming up with Lau Qin-shek (0491 0579 4258), member of the Christian Industrial Council, to run in the Central Kowloon District, a pro-Chinese stronghold. Their campaign slogan—"the giant rock stirs a thousand waves"—is very interesting. The United Democrats' strategy clearly is to take on the strongest opponents and try to seize the Central Kowloon District's two Legco seats. The move has actually been assailed by the Chinese authorities in a "communiqué."

In an interview, Lam Kui-shing said that his bold challenge against the Federation of Trade Unions' stronghold in Kowloon Central is in fact a personal challenge because the stronger the opponent, the more exciting the race. At the same time, it is a chance to let the people know that even in this leftist stronghold, there is growing democratic strength.

Lam Kui-shing's comeback has attracted much attention from all quarters. He has kept his usual sense of humor and has told this reporter that there are too many people in the Legco who play up to people of power and influence, who attach themselves to the bigwigs, and who stoop to servility. To prevent the Legco from becoming "a house with only one voice," he wants to see more people who truly struggle for democracy and who dare to speak the truth be elected to it. Obviously, the 1991 election will give him this opportunity.

As a central figure in the United Democrats, Lam Kui-shing admits frankly that he has a lot of support. He kept in close contacts with the grass-roots when he was in the district board, which helped forge definite bonds of

friendship, and he was always happy to help solve other people's problems when he was in the Legco, which made him many friends.

His partnership with Lau Qin-shek has put their opponents in awe by their show of strength. In a public poll, the two are holding their own against the other candidates. Currently, a certain candidate backed by the Federation of Trade Unions is their strongest opponent. As to who will win at the end, we will find out only after the election.

Lam points out, however, that some candidates who are clearly backed by the Chinese are pulling every trick in the book to hide their pro-Chinese background and are even raising the banner of democracy and freedom. Many are being deceived, but those who know the truth find them contemptible. People who are backed by the Chinese are no longer their own masters. They are at the mercy of others. They cannot even guarantee their own democracy and freedom, and they are talking about winning democracy and freedom for the Hong Kong people. What a joke!

Lam is optimistic about this first Legco direct election in September, because since the 1989 prodemocracy movement, those who have come to know the truth about the Chinese regime have become even more ardent supporters of the democratic groups. However, in view of certain people's "little tricks," he solemnly urges the Hong Kong voters to try to find out who the real candidates are who will fight for Hong Kong's democracy.

Lau Qin-shek

Lau Qin-shek who is teaming up with Lam Kui-shing to run for the Legco seats in the Central Kowloon District heads the Independent Workers' Union. His running in this leftist union stronghold has added a new atmosphere of "tension" to this election.

In an interview, Lau talked repeatedly about the "4 June" incident. In his opinion, the incident has a profound effect on the people and has exacerbated Hong Kong's crisis of confidence. In order to sustain Hong Kong's long-term prosperity and stability and maintain its status as a world financial center, he urged the Chinese authorities to right the wrongs of "4 June" on the one hand and to not only implement reform and open up economically but, more importantly, to implement reform and open up politically. Only if there is democracy in the mainland will there be hope for Hong Kong.

Hastening the Legislative Council direct elections is the guarantee of Hong Kong's democratic political system. Lau hopes that one-half of the Legco seats will be directly elected before the year 1995 because only through direct elections can the voters' inner voices be heard.

His more than 20 years' practical experience in the trade union is Lau's biggest political asset. He is often seen in

front of the governor's mansion and before the Legco delivering petitions from the people. He feels deeply that the workers have too little say in the Legco, and that is why he is standing for this first direct election.

As a Legco member representing the Independent Workers' Union, Lau is not influenced by rightist or leftist political atmosphere and can speak up forcefully for the rights and privileges of the workers. Lau says his political platform is built on developing a sound retirement plan and system to make sure that every retiree receives a fair share of pension or accumulation fund. Every effort should be made to take care of the middle and lower class workers' livelihood, work, income and retirement needs. He thinks that this is critical and is an important factor in maintaining Hong Kong's stability. Lau points out emphatically that in order to win greater freedom and democracy in the future, the Hong Kong citizens must actively take part in the Legco elections. They must find out whether the candidates they are going to vote for are truly working to win freedom and democracy for the Hong Kong people and whether those candidates are still their own masters or whether they are someone else's puppets. If a person is not free to make his own decisions, how can he win freedom and democracy and rights and privileges for the voters?

Wen Shi-chang [2429 0013 2490]

Wen Shi-chang who is a lawyer is very well-known in Hong Kong's Eastern District. He has served that district for more than five years and has served three terms as a district board member and as an Urban Council member. His pragmatic workstyle has won him the support of many a citizens.

Even before the Sino-British negotiations over Hong Kong's future, Wen had joined a group of people who shared the same ideal to form the Hong Kong Affairs Society to advocate democracy, champion the idea of "Hong Kong people ruling Hong Kong," and advocate a high degree of autonomy. Relying on his own knowledge of the law, he has given more than a dozen speeches at Victoria Park. With respect to legal issues such as the management of high-rise apartments and public housing, traffic-related noise and air pollution, and other problems in people's everyday life, he has always done his utmost to help and to fight for the rights of his constituents in the Eastern District.

However, as election day approaches, the campaign in the Eastern District has become increasingly complicated. The pro-Chinese groups have put up strong candidates to run against the United Democrats' Lee Chu-ming and Wen Shi-chang. The situation resembles a scene from the "Last Duel at Wujang." Everyone knows that Lee Chu-ming is the chairman of the United Democrats and Wen Shi-chang is the stalwart of the Eastern District. Whether they can defeat their opponents will be an important test for the democrats. For this reason, they have become the focus of attention.

Despite having this "important responsibility" on his shoulders, Wen Shi-chang remains his steady old self. He told this reporter that he was not the only one with solid credentials in the Eastern District but that those who were equally if not more qualified people had refused to run and had even asked their supporters to vote for a candidate who was a complete stranger to the Eastern District voters. He questioned if this was the way to look after the voters' interests.

The truth is, democracy and the people's livelihood are inseparable. Wen Shi-chang urges the voters to value the sanctity of their right to vote and to elect someone whom they believe to be their true spokesman.

Politicians Look at Sino-Hong Kong Relations

91CM05574 Hong Kong TANG TAI
[CONTINUATION] in Chinese No 3, 13 Aug 91
pp 19-24

[Article by Wu Yueh-ning (0702 2588 1380) and Wang Fang (3769 5364). "Political Figures View Sino-Hong Kong Relations"]

[Excerpt] [passage omitted] Jimmy McGregor:

Question: Do you feel that there is a great possibility that you may not get the Chamber of Commerce nomination?

Answer: The possibility exists because of the frame of mind of some business leaders in Hong Kong today, who do not want to come right out and criticize Chinese Communist policies factually. A very large number of people feel that Hong Kong has no other choice than to do as the Chinese Communists say and that so long as they get on the good side of the Communists, everything else in Hong Kong can be taken care of. The recently agreed upon airport memorandum seems to confirm this point.

Question: If you actually do not get the nomination, what problems do you feel that will reflect?

Answer: If I do not get the nomination, that means that Hong Kong businessmen are showing uneasiness as a result of Chinese Communist pressures and consequently would prefer to elect a yes-man.

Question: But possibly this is a realistic way of doing things? This is because the Chinese Communists feel at every turn that people are opposing them, so they may be more at ease if they are heeded?

Answer: I certainly do not advocate opposing the Chinese Communists. Anyone with brains will realize that opposition is absolutely inappropriate. As a businessman, I have no reason to be opposed, thereby creating a situation that hurts Hong Kong's normal operation. However, whenever Chinese Communist policies are in error, no matter whether these policies do or do not have a direct bearing on Hong Kong, Hong Kong loses. Therefore, whenever such a situation occurs, Hong

Kong has the duty to stand up and say to the Communists, we are sorry, but you are wrong. Because of their own business interests, a very large number of people advocate unprincipled accommodation with the Chinese Communists. I believe that, in the end, they will find that this is not the best way of doing things for Hong Kong.

Feng Chien-chi [7458 2914 1015]

Question: On what principle will you deal with the Chinese Communists?

Answer: We feel that China must redress the "4 June incident" because we feel that it was a spontaneous patriotic movement and absolutely not a rebellion. We will have contacts with the Chinese Communists only on the following four issues: 1) the democratization of Hong Kong, 2) the issue of democracy in Hong Kong, 3) China's four modernizations and democracy, and 4) peace and unification of both sides of the Taiwan Strait. Beyond these, we positively will not have any contacts with the Chinese, much less will we have a convivial relationship with them.

Question: How do you evaluate current Sino-Hong Kong relations?

Answer: Sino-Hong Kong relations must benefit Hong Kong's proletarian masses and not serve the interests of people at just a certain stratum. The accord just reached on the airport is a mixture of good and bad. It remains a very difficult issue to talk about. Most importantly, the airport negotiations were not sufficiently transparent. We are not certain by any means about the airport's benefit to Hong Kong. In order to build the airport, the Hong Kong government wants to broaden the tax base as well as shelve or delay some plans that affect the people's lives, such as the Wongwan sub-district hospital. The effect is greatest on the middle and lower levels. I fear that both the Chinese and the British think only about their own interests, causing suffering for the people of Hong Kong.

Question: Does the airport accord represent a prelude to China's interference in Hong Kong affairs?

Answer: According to the Sino-British joint statement, China has the right to know about Hong Kong matters. I believe that the Chinese could send a delegate to take part as a non-voting member of the Legislative Council (LCO) committee concerned with Hong Kong affairs, but his rights must be the same as other members' rights. On the airport issue, the best way of making a decision would be for all the people to vote. The greatest shortcoming of the present method is that it lacks transparency.

Question: During the coming transition period, how should the people of Hong Kong comport themselves?

Answer: The people of Hong Kong should do everything possible to study how best to manage their own affairs. The Hong Kong government should accelerate the process whereby civil servants are local people, and they

should invite capable people from a broader spectrum (including pressure groups) to take part in different advisory committees. The contention resulting from the lack of trust between the Chinese and the British can very easily damage the Hong Kong people's confidence. I do hope that they will make the interests of Hong Kong their main concern.

Lia Hui-ch'ing [0491 1979 0615]

Question: How will you handle relations with China?

Answer: Although my attitude has always been fairly tough, I do not think that we should adopt an antagonistic position toward the Chinese, however, when the Chinese treat us unreasonably, we must stand up boldly to argue with them on reasonable grounds. I not only hope to be able to represent the people of Hong Kong, but I hope even more to be able to unity them for the joint winning of our rights.

Question: Just what do you mean by the unity you speak about?

Answer: I have said that I hope, first of all, to initiate and improve organization and activities in the New Territories. I hope even more to be able to show by my words and actions that I truly represent the interests of the Hong Kong people, thereby enlisting strength. Under these conditions, the people of Hong Kong may often do unexpected things such as they did during "4 June." When we are able to clarify our common purposes, the strength that we are able to build up will not be easily insulted.

Question: Does the unity that you talk about mean organizing for the purpose of opposing interference from a certain quarter?

Answer: I do not advocate opposition to anyone, but when there are objections, they should be stated clearly.

Question: For example, do you see the memorandum of understanding on the airport that the Chinese and the British signed as a form of interference?

Answer: I feel extremely disappointed because throughout the entire airport negotiation process not only did the people of Hong Kong not take part, but even the information about the negotiations that was made available was limited. The signing of the memorandum of understanding marks perfectly acceptable Chinese interference in the internal affairs of Hong Kong, on the one hand, but, on the other hand, it also highlights the helplessness and the lack of alternatives of the people of Hong Kong. Quite frankly, the Hong Kong government has also clearly become a lame duck. The people of Hong Kong cannot pin any hopes on the Chinese or British governments. All they can do is turn to themselves.

Question: If elected, what will you strive to achieve?

Answer: Freedom, democracy, and human rights are the principles that I have long believed in and which I will

continue to win for the people of Hong Kong. In addition, I will also get more security and rights for the people at the grassroots level. Other economic matters, such as inflation, I will certainly give more attention.

Ch'eng Chieh-nan (4453 0094 0589).

Question: You take an obvious "pro-Chinese Communist" stand. Written into your political platform is an acceptance of influence from foreign powers and no involvement in political disputes outside the Hong Kong territory, among other views. This makes people feel that there are certain points of view made in response to the Chinese Communist "4 June incident." However, interest in events that occur in mainland China is a natural instinct for every Hong Kong resident because everyone is Chinese. Can you explain why you adopted this position?

Answer: Basically I hope to be able to concentrate on dealing with matters in Hong Kong itself, being concerned in principle, primarily with the interests of the people of Hong Kong and not accepting the influence of China, the United Kingdom, or any other foreign power. No involvement in the political disputes of territories outside of Hong Kong is consistent with the spirit of one country, two systems.

Question: Given your personal background, when contradictions appear between China and Hong Kong, will you be able to take Hong Kong's side?

Answer: I just said that I would stand with Hong Kong. I fully support the Hong Kong government's acceleration of democratization to enable fullest expression of the will of the people of Hong Kong. Only in this way is it possible genuinely to fulfill the spirit of a high degree of self-rule while simultaneously reducing China's influence. You feel I am pro-Chinese Communist, but when I say that I "put the interests of the people of Hong Kong first," my friends in Communist China also complain. In specific situations will have to be looked at to determine whether or not I am pro-Communist.

Question: Some people feel that both the Executive Council (EXCO) and LEGCO should begin now to look for some pro-Chinese Communists to take part. How do you feel?

Answer: The 18 directly elected LEGCO seats in LEGCO that were filled in September will certainly add considerable more pressure on the present Hong Kong government. I understand that one-fifth of the department level officials of the Hong Kong government have already decided to leave their jobs and that the other four-fifths are extremely concerned about how they will face the mounting pressure after September. The Hong Kong government may appoint one or two pro-Chinese Communists as department level officials, and this might ease some of the tension in this regard. Actually, these actions should be planned for the transition period, however, the "4 June incident" still makes the people of

Hong Kong wary. They feel uneasy about any Chinese Communist involvement in Hong Kong. This is most table.

Lio Ch'ien-shih (049) 6578 4754).

Question: If you are elected, how will you handle relations with China?

Answer: I have adhered to one principle throughout and that is until "4 June" is addressed I will not have any form of dealings with the Chinese Communists. Not only do I want to be a person of Hong Kong, I also want to be a Chinese. A sticking point is "4 June" and until this sticking point is removed, Sino-Hong Kong relations cannot truly improve.

Question: Will this have a definite effect on your campaign?

Answer: Xinhua She is carrying a news item that says that even if Lio Ch'ien-shih is elected this time, the 1995 direct election will politically rule out his reentry into LEGCO. Hong Kong is still a free society. I do not know to what degree the Chinese Communists will control Hong Kong when 1995 comes. If it really turns out that a nod from the Chinese Communists is required in order to enter LEGCO that will be something that nothing can be done about. My attitude right now is that there is still a definite opportunity, so I am going to do all possible to seize it.

Question: Outsiders are very much concerned about your running in the Kowloon election against Chen Wan-hsun (7115 1238 H388), the leftwing trade union candidate. Chen might be said to be a delegate that the Chinese Communists support, and the leftwing trade union has a pretty strong base in Kowloon. Are you still optimistic about winning under these circumstances?

Answer: I still feel I can give fairly strong competition. First of all, I have served labor for many years, so I also have a certain base in the eyes of the public. Furthermore, I am for a free trade union that has the interests of the broad working class as its highest principle. This will appeal to people. However, the leftist trade union is hamstrung by the Chinese Communists, it cannot put the interest of the workers first. An example is the large section to other places of great numbers of Hong Kong government workers. Even though the Federation of Trade Unions also supports them, at the same time the Chinese Communists want those workers, removing the mainland to come to Hong Kong. Can the Federation of Trade Unions dare to go against the interests of the Chinese Communists and continue to oppose them? I suppose that by comparison with Chen Wan-hsun I have fewer financial and material resources, but I hold a dominant position in the hearts of the people.

Question: Now that the Sino-British airport issue has been successfully negotiated, do you see good future prospects for relations between China and Hong Kong?

Answer: Solution to the airport issue benefits both the Chinese and the British, but the successful airport negotiations also have another connotation, namely, they provide valuable reference for future cooperation between the Chinese and the British. The British still have numerous interests in Hong Kong. In time, certainly other issues will require negotiation.

Question: Some people feel that this Chinese interference in Hong Kong domestic matters sets a precedent. What do you think?

Answer: I do not agree at all, even though saying so is not to my advantage. Both the British and the Chinese discussed a solution to this issue to reach the final agreement. I do not believe that this was interference in the operation of Hong Kong.

Question: But Hong Kong's participation was slight, was it not?

Answer: We must look at it this way. The Chinese repeatedly emphasized that Hong Kong's future is an issue affecting Sino-British relations throughout, only by establishing a good cooperative relationship between China and the United Kingdom can the people of Hong Kong truly benefit. I think one has to be somewhat realistic when considering issues. One cannot be too high toned, you have to take into consideration the interests of the little people who will remain in Hong Kong and take into consideration the problems that they are concerned about in their daily lives. Only this can be called truly supporting the interests of the people of Hong Kong. I do not hold a foreign passport. I hold a certificate of identity. Nowadays some people who hold foreign passports express views that do not benefit the people of Hong Kong. They are extremely unreasonable. They do not really think about the local people.

Question: Have you always maintained that it is necessary to take a fairly moderate course in getting along with the Chinese Communists?

Answer: Yes.

Question: When should an opposition attitude be taken?

Answer: Not unless another "4 June" occurs.

Question: How do you view the future situation in China?

Answer: I am optimistic. We see that reform in China has by no means halted, and next year the 14th Central Committee will convene. The high level figures on the Central Committee may yet change. China's development is a gradual process, it cannot be hurried. Certainly, we must criticize things that are wrong with the Beijing government. I continue to maintain that those who took part in the citizens' movement must be released and that China should be further opened to the outside world at the same time.

Question: What are your thoughts about freedom of the press in Hong Kong after 1997?

Answer: I believe the key still lies with the people of Hong Kong. First of all, we cannot be in disarray ourselves as during the airport negotiations. During this election when quite a few people "compete for favor" with the Chinese Communists and when the Chinese Communists grant them some small favor, they feel it is a great honor. Today, some people in Hong Kong want to get the Chinese Communists to put down other people, but this is extremely adverse for Hong Kong's future press freedom.

Ch'en Wan-hsien

Question: In running for office, do you represent the interests of the Chinese Communists or the people of Hong Kong?

Answer: For historical reasons, the Federation of Trade Unions may give the impression that it favors the Chinese Communists when actually we do not intend for the Federation of Trade Unions to become a labor organization that is separated from the masses. Therefore, our work will be mostly for the people of Hong Kong, we will particularly have the working class in mind. As for the issue of Sino-Hong Kong relations, this will not be our main task.

Question: So how do you feel Sino-Hong Kong relations will develop during the remaining six years of the transition period?

Answer: I believe that relations between China and Hong Kong during the next several years will be filled with contradictions. Imagine everyone having a separate social system without much similarity between the ideologies and the ways of doing things of both parties, with many problems being the norm. Even so, while recognizing that everyone has the right to be dissatisfied with the other side, I hope that each side will respect and understand the feelings of the other. Take the airport negotiations as an example. The Chinese side must understand that the people of Hong Kong have a feeling that they were "powerless, helpless, and cheated" on this matter.

Question: How would you say that both sides can reduce conflicts?

Answer: Since the post 1997 special zone government is not yet in being, it is reasonable for the Chinese Communists to take part in major decisions that extend beyond 1997. The problem is that these decisions also must be made after soliciting the views of the people of Hong Kong. Therefore, in order to reduce clashes, the Hong Kong government must "inform China and consult the people of Hong Kong."

Political Reporter Interviewed About Future

U.S. MIKE/4 Hong Kong KAFF/NTJ/OPEN
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[Article by Chin Chung (6855 6988) "What We Are Facing Is a Real Tiger— Interview With Former Correspondents Association Chairman, Miss Emily Lau Wai-hing (0491 1979 0615)"]

[Excerpts] [passage omitted]

Question: You said earlier that Hong Kong's post-1997 "one country, two systems" is a relatively desirable system considering the alternatives. Do you believe that there will be no changes for 50 years or no changes for a long period of time?

Emily Lau: No changes for 50 years will be difficult. Already very many changes have taken place in the Sino-British Joint Declaration that was signed in 1984. I have said many times before that the following are all expedient measures: "one country, two systems", no changes for 50 years, and Hong Kong people running Hong Kong. This is because both the Chinese and the British governments know that although the people of Hong Kong are proud to be Chinese, they do not want to be ruled by the CPC. Therefore, if the Chinese and British governments do not promise that the CPC will not run Hong Kong, rebellion may occur in Hong Kong. Very many people of Hong Kong have suffered greatly under CPC rule; they are extremely frightened of the CPC. Deng Xiaoping also knows that a confidence problem exists in Hong Kong. [passage omitted]

Question: On the basis of the present changes, what is your guess about the extent of changes by 1997?

Emily Lau: That will depend on the efforts of the people of Hong Kong during the several year transition period. If our society has fairly strong cohesiveness, a spirit of sacrifice, and a desire to fight for the freedom and democratic rights that the Joint Declaration confers, the space for activities after 1997 may be somewhat broad, but if we do not fight, and admit defeat, the situation after 1997 may be pretty bad.

Question: As bad as the mainland?

Emily Lau: Not immediately as bad as the mainland. The thing that worries people is that corruption may be very serious at that time because more mainland officials coming to Hong Kong to work will bring that stuff with them from the mainland.

Question: Hong Kong's fate will be more closely linked to the mainland. If the mainland is headed for a split up or even local independence as Professor Yu Ying-shih [0191 5391 2514] says, you have said that Hong Kong has the conditions for self-determination. Would self-determination occur in Hong Kong at that time?

Emily Lau: Never mind the future. Even during the Sino-British talks, no one in Hong Kong came out for

self-determination. If the Chinese and the British governments have the confidence, why do they not let the people of Hong Kong show their hands in a vote, deciding their future themselves? For the fate of more than 6 million people to be decided in secret talks by two countries without participation of the people of Hong Kong is really infuriating. The Chinese and the British governments estimated that the people of Hong Kong would not react strongly, and the facts show this to have been a correct estimate. Therefore, even were a split-up of China to occur, a self-determination movement would not easily occur among the people of Hong Kong. This is because very many Hong Kong people have an emotional tie. They regard themselves as Chinese. They have very ambivalent feelings about being independent. [passage omitted]

Question: We would very much like to know your estimate of the mainland's future? Will changes occur like those in the USSR?

Emily Lau: I do not think that is very likely. I have a fairly pessimistic view of the mainland. A lot of people are now waiting for the oddest to die off. They hope that changes will occur in the distribution of power, but how to make a change? China is an extraordinarily closed country. In particular, we know nothing at all about the political situation at the highest level. This makes people very afraid. Anything can happen. The reason that China's previous political struggles did not spill over into Hong Kong was that under our colonial rule the United Kingdom protected us like an umbrella. It enabled us to escape calamity. This is something for which the people of Hong Kong can be very thankful to the United Kingdom.

Question: Once the British go, there will be no protective umbrella. What will the people of Hong Kong do then?

Emily Lau: Leaving us to face this ultra-authoritarian communist government is extremely terrifying. If there is internal chaos and a loss of control once Deng Xiaoping dies and if personal strife on a large scale occurs, Hong Kong will certainly not be able to escape. Every faction will regard Hong Kong as a chess piece because Hong Kong is a piece of fat meat and is also a sensitive trouble spot. When I think that it may become a pawn in the Chinese Communists' power struggles, I shudder.

Question: Is there much hope for China's peaceful evolution?

Emily Lau: Inside China there is no opposition force capable of standing up to the CPC; the only hope is for the emergence of a healthy force within the system, but even during the Zhao Ziyang era, there was so much corruption and official racketeering. In 1989, when a million people took to the streets in Beijing, that looked optimistic, but then it ended up so tragically. China is a poor country, and the CPC understands nothing but struggle. It is entirely indifferent to the people. I think that at the earliest it will take between 20 and 30 years for

China to change. Right now conditions do not exist for a Western-style democratic system. [passage omitted]

Question: After the Chinese Communists take over Hong Kong, will they permit people like you, who so intensely criticize the ultra-authoritarian system, to give free rein to your political influence in Hong Kong?

Emily Lau: I feel the prospects are very pessimistic, but I will do everything in my power. Certainly, I will also not be so naive as to make unbridled statements. Recently CPPCC (Chinese People's Political Consultative Conference) member He Xin (0149 2450) demanded that those who slander the leaders and slander others be extradited to China to stand trial, thereby showing that he does not even understand the "one country, two systems" of the Sino-British Joint Declaration. Because I see there is a crisis, for my own dignity, and for the well-being of 6 million people, I cannot leave.

Question: If you have to pay a higher price, if they seize you, what will do you do?

Emily Lau: Then I will certainly go. I have no interest in being a martyr, nor do I have any interest in spending more than 10 years in Qincheng Prison. Chinese politics is extremely ruthless and ugly. Taking part in politics in China is not as peaceful as in the U.K., it can be dangerous. You have to be psychologically prepared. Tens of millions of people have died under the dictatorship of the CPC. We are facing a real tiger, not a paper tiger. [passage omitted]

Question: Please say what was the Hong Kong British government's greatest success and greatest failure in its 150 years of rule in Hong Kong.

Emily Lau: The greatest success was giving the people of Hong Kong the same degree of freedom as the British. In addition, they successfully separated the people of Hong Kong from the numerous mainland political battles, letting the people of Hong Kong be colonialists who breathed an atmosphere of freedom. Later on when they lose this freedom, the people of Hong Kong will cherish the memory of it very greatly. As for the greatest failure, that was never establishing the democratic system in Hong Kong. The freedom that we enjoy today was bestowed by the British, we did not take the initiative in winning it. An entire political system did not change for 150 years. All officials are appointed, all the high officials are British, and there is no democratic foundation at all. As a result, the vacuum that follows the United Kingdom's withdrawal will be filled by the CPC. This makes us very worried.

Question: Do you feel that the gap between the rich and the poor in Hong Kong is a serious problem? What should be done to change it?

Emily Lau: This is truly a serious problem. Most people of Hong Kong are very poor, and both their living and work environments are poor even though they are very

industrious. Hong Kong has always been elitist politically. Most of the legislators are middle class. They are divorced from society. Consequently, the policies they promote cannot broadly look after the interests of the masses. Even when the government has wanted to do some good deeds, such as passing legislation that looks after workers, the elitists have blocked it. They are wealthy, and they do not want to pay more money to improve welfare for the workers. The poor people in society today are very angry, and as inflation grows, people's tolerance may diminish. Government must ease this pressure in society. The way to reform, I believe, is to more evenly distribute wealth. More taxes must be collected from the rich or from corporations. This is feasible, but our policies have always protected the vested interests of the rich.

Question: We are very much concerned about Hong Kong's educational system, particularly Chinese education. What are your views on this?

Emily Lau: I approve education in the mother tongue. Why should a tiny tot have to study all courses in English? However, education in a second language is necessary. With the approach of 1997, education in the mother tongue is a necessity. However for some things such as law, instruction should be in English. The mother tongue should be used to teach primary and middle school. It is necessary to believe that instruction in the mother tongue can also produce people well versed in both Chinese and English.

Question: Do you have your own social and political ideals? What sort of society should Hong Kong become? What kind of countries should it resemble?

Emily Lau: It would be very good if it could have a democratic socialist system like that of northern European countries, but northern Europe has very many problems, too. Every man has problems. I appreciate a Western style democratic liberal system. But the people of Hong Kong rarely talk about the ideal, they are concerned with the real. My expression of political views while running for office was also limited. People have asked me what I mean by "a capitalist system that has a human face". I say it is necessary to support capitalism, but this system also has an ugly side, so every effort must be made to display human feeling under this system, looking after people at the middle and lower levels.

Question: Were you to become the senior official in charge of the Hong Kong Special Zone in 1997, what would be the first order you would issue?

Emily Lau: I would carry out a fully democratic election.

Question: Are you very confident that democracy can be practiced in Hong Kong?

Emily Lau: Yes. Conditions for practicing democracy are better in Hong Kong than in the China mainland.

Question: You have been a political reporter for many years. Can you make some remarks about the following

four main roles of the Hong Kong political forum? They are: Hong Kong Governor Sir David Wilson, Colonial Secretariat Chief Secretary Sir David Ford, Deng Lianru [6772 5571 1172], and Li Pengfei [2621 7720 7378].

Emily Lam: High level Hong Kong officials, whether Chinese or British, cannot represent the aspirations of the ordinary residents. This is something I have said all along. Many residents hate them. They are completely separated from the sufferings of the people, and many incidents make the people doubt their ability to handle matters. Examples include the new airport and the national trade [0948 0794] affair. These high officials, who were appointed by the British, do not think in the same way as the people of Hong Kong. They also receive high salaries and commercial benefits, which make people very uncomfortable. I hope these people can be replaced with all possible speed and some people found to replace them who can really act on behalf of the people of Hong Kong and who are not only interested in fishing for fame and compliments.

Question: Can you comment on each of these four people separately?

Emily Lam: I can say only that these people are not representative. They were not elected by us, and the things they do are also not for us, but rather for their own interests. Unfortunately, however, what they do affects the lives of 6 million people. This makes people angry.

Party Formation by Pro-Beijing Groups Speculated

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[Article by Tsui Li-jung: "Pro-Chinese Personages Woo Middle-of-the-Road Democratic Factious for Party Formation"]

[Excerpt] Voices for party formation by pro-Chinese personages have been heard continuously since the conclusion of the first direct election in Hong Kong, but their aims and attempts for party formation have brought about widespread worries and speculation. What people are worried about is whether or not the emergence of pro-Chinese political parties would mean further expansion of Chinese influence in Hong Kong during the transitional period. What they speculate is the fact that these pro-Chinese personages are trying hard to woo and organize some members of "middle-of-the-road" democratic factious (such as Meeting Point and Association for Promotion of Democracy) to side with them. These middle-of-the-road democratic personages have sided with the masses several times. What are they going to do?

Although responsible persons of many democratic groups have kept their mouths shut and denied any contact with pro-Chinese personages to negotiate issues on party formation, they have made no attempt to conceal the possibility of "cooperation" between the two

sides. As to what extent they may cooperate with each other, they unanimously claim that it all depends on how much they can achieve in enhancing mutual understanding.

According to "hearsay", Lo Te-cheng of the New Hong Kong Alliance and Cheng Chieh-nan of the Hong Kong People's Tribune are now making preparations for party formation. Since Lo Te-cheng is "on a pilgrimage" in Beijing, there is no way to ask him about his relevant plan. When Cheng Chieh-nan was interviewed, he only asked our reporter a counter-question: Is that true?

Perhaps, this is a form of a political game. Nothing should be revealed and all news concealed before the final decision is made or when there is no certainty of success. Cheng Chieh-nan said, existing resources should be used as a foundation for party formation, if we plan to do so. The Hong Kong People's Forum will be definitely consolidated and expanded. It must clearly define its own future orientation, and develop and regularize itself, he added. What he means is that even if a party is formed, it will be based on the Hong Kong People's Forum.

Cheng Chieh-nan said. Since a group already exists now, there is no reason to throw it away. If there is any future development, the first step is to start from this group. Nobody knows if this will become the foundation for future development. Sometimes, it is hard to take the initiative, because it is difficult to ensure whether or not we will cooperate with other groups. For example, will other groups join us or will we join others?

His remarks showed contradictions. On the one hand, he emphatically pointed out the initial need for party formation on the basis of the Hong Kong People's Forum. On the other hand, he said he did not know or could not take the initiative and so on, and it is hard to understand what he meant.

Meanwhile it is believed that candidates with leftist flavor or background became "box-office poisons" in the September election of the Legislative Council and that Cheng Chieh-nan's "face changes color whenever he hears anything leftist." When asked if he can cooperate with any individual in the Federation of Trade Unions for party formation, Cheng Chieh-nan immediately answered that he had never thought about this issue and that in fact the Hong Kong People's Forum had nothing to do with leftist factious. He also said, there is no direct contact or dialogue between the Federation of Trade Unions and the Hong Kong People's Forum, but cooperation with the Federation of Trade Unions is possible. It is possible to cooperate with the federation, if there is such need. Nevertheless, it is not likely that he will take the initiative to invite personages of the federation to cooperate with him. He will be happy to discuss the possibility if some individuals of the federation are willing to seek cooperation with the Hong Kong People's Forum.

As for the question of whether or not Cheng Chieh-nan has contacted anyone in the Federation of Trade Unions to discuss relevant issues, the answer is affirmative. On this question, Chen Wan-hsien, member of the board of directors of the federation, said that after the conclusion of the September election, Cheng Chieh-nan had "privately" asked her about her future developments. Perhaps, this was why Cheng Chieh-nan said that "there is no direct dialogue" since this conversation was conducted "privately."

On the possibility of cooperating with Cheng Chieh-nan to form a party, Chen Wan-hsien said that she had no such plan. If a party is to be formed, it will be formed by the Federation of Trade Unions, she added. Although Cheng Chieh-nan had supported Chen Wan-hsien and offered her suggestions when she ran for office in the last election of the North Point District Council, she emphatically pointed out that she could not see any possibility at present to work with Cheng. Unless she is very much interested in taking part in politics, she still plans to concentrate her efforts in managing labor affairs.

It cannot be denied that there are good prospects in handling labor affairs, and a great deal can be done. Just as in the future "when conditions are ripe, success will come." The federation will become a certain organization or a labor party. With the existing resources, the Federation should not have to worry too much about its development. Shelving the idea for party formation at present will not affect the federation much.

It is known to all that pro-Chinese personages are going all out to keep in touch with different political groups. Their aim is not so simple as "casually talking about the trend of everybody's future development." Various political groups kept absolutely quiet on the genuine "behind-the-scene" intentions, yet some of those who were called upon inadvertently revealed: This is something people have not yet decided. We should not make any announcement to the public through them. This shows that party formation by pro-Chinese personages is not just hearsay, and that the way of sounding people out about this question of party formation by "opening wide on the one hand" and "keeping quiet on the other" is just a form of a political game.

The groups that the pro-Chinese personages try to woo at present include "middle-of-the-road" (relatively moderate) democratic groups such as the Meeting Point and the Association for Promotion of Democracy. Other pro-Chinese groups which have been called upon include the Federation of Trade Unions, the Federation for Freedom, Democracy and Autonomy and so on.

As of now, all groups believe that there is great potential to develop themselves. All hope to expand their organizations. In addition, the image of the pro-Chinese personages who wish to form parties is highly conspicuous. It will be difficult to enjoy support of the people. Thus, on the surface, our conclusion is: Large leftist organizations believe that there is no need to join these so-called

new parties, because they already have certain strengths. It may not benefit them if they try to get themselves mixed up with those pro-Chinese personages whose image is even more conspicuous. Perhaps it would be better to energetically expand their organizations.

"Middle-of-the-road" democratic groups must also take into consideration the "consequences" in closely cooperating with pro-Chinese personages. In addition, these groups are imbued with relatively favorable conditions. For example, the quality of their members is fairly high, and they impress people as being relatively objective and neutral. Compared with the pro-Chinese personages, their conditions are naturally much better. If they pool their efforts for party formation, or participate with other individuals, will their action affect their image or future "market." It is something that they must think over carefully.

Earlier, Hsiao Chien-ying, chairman of the Association for Promotion of Democracy, said that various organizations such as the Meeting Point, Hong Kong People's Forum, Building Hong Kong by Hong Kong People and others are groups with which we can cooperate. Yet, he did not further elaborate on the word "cooperate." Later when interviewed by our reporter, Hsiao Chien-ying pointed out that to determine whether or not he could cooperate with pro-Chinese groups, it was necessary to check their definition of the word "pro-Chinese," and see if they would favor Hong Kong after favoring China. The Association for the Promotion of Democracy is now making some preparations to sponsor various activities, such as symposiums and lunches in which members of the association in the Legislative Council may reach mutual understanding and strengthen coordination with members of other groups to determine if both sides can cooperate with each other or not.

As for the Federation for Freedom, Democracy and Autonomy which he had never mentioned, Hsiao Chien-ying emphatically pointed out that if those in this federation cling to their own ideologies, there will be no room for cooperation.

Nevertheless, Hsiao Chien-ying always talks about cooperation, and avoids mentioning party formation. He even said that he had never heard of anybody seeking to form a new party. Chang Ping-liang, chairman of the Meeting Point, was happy about people from all quarters waving at his group, because it showed that all of them think highly of the Meeting Point.

Hsiao Chien-ying openly said that he wanted to cooperate with the Meeting Point. Cheng Chieh-nan is also quite interested in Meeting Point. Smiling, Chang Ping-nan said that everyone had the right to speak up. Everyone has freedom of speech. Cheng Chieh-nan has always been interested in Meeting Point, and has always advocated its stand to cooperate with other groups.

When asked if the Meeting Point may possibly merge with other groups, Chang Ping-liang pointed out that Meeting Point itself had considered speeding up the

process of becoming a party. Therefore, the issue of merging with other groups does not exist. Meanwhile, Meeting Point has no plan to annex other groups, because Hong Kong's political market is quite wide. At present each group has a very small share of the market. Therefore, various groups have plenty room to expand themselves separately.

On the issue of party formation, Chang Ping-liang emphatically pointed out that each person or organization should consider many things. When other people have considerations, we must respect them. Nevertheless, we cannot discuss their problems on behalf of other groups. Some people may really want to win over the

Meeting Point. We will think about this if there is a formal proposal. For example, when several democratic groups merged some time ago, we also thought about merging. Nevertheless, Meeting Point has already decided on its development targets, no matter whether it seeks to merge with other groups or not.

From the aforementioned conversations, we see that the chiefs of many political groups are separately changing the issue of forming new parties into one of developing cooperation between one group and another. What does this practice mean after all? Our readers are invited to analyze this question. [passage omitted]

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